

CONTINENTAL SELLING PRICES: AUSTRIA S 15; BELGIUM F 28; DENMARK Kr 5.00; FRANCE F 4; GERMANY DM 2.0; ITALY L 700; NETHERLANDS F 2.0; NORWAY Kr 5.00; PORTUGAL Esc 36; SPAIN Ptas 70; SWEDEN Kr 5.00; SWITZERLAND F 2.0; IRE 20p; MALTA 20c

**NEWS SUMMARY**

**GENERAL**  
**Four quizzed on Pc bombing**

**BUSINESS**  
**Gilts improve; Gold up \$10**

**EEC draws up new strategy to limit imports from Japan**

**Bank to take in £1bn from market**

**Europeans to challenge U.S. on Mideast**

**Anti-terrorist squad detectives** were questioning four men in connection with the bomb blast last month at Catford police station, south London, which seriously injured PC Stephen Hickling, 19.

Police said the four had no political connections.

A fund for PC Hickling, who lost his right arm and had his sight damaged in the blast, has already exceeded £40,000.

**GILTS** improved with the continuing decline in U.S. prime rates. Short-term gilts rose 1/8, and medium and long-term gilts rose 1/4. The Government Securities index was up 0.39 at 67.75. Page 38.

**EQUITIES** opened with enthusiasm but ended with the news of BP's disappointing first quarter profit. The FT 30-share index finished 0.4 up at 423.4. Page 38.

**GOLD** continued its advance in London on fears of a new drop in U.S. interest rates and a new oil price rise. It rose \$10 to \$587.5. Page 31.

**SILVER** was up 34.35p an ounce in London at \$5.975.

**Four men charged with armed robbery** in connection with the £2m silver bullion raid at Barking, Essex, will appear at Highgate today.

**Lightning killed two schoolboys**, one in Accrington, Lancs, the other in Erewash, Staffs. In Wairua, near Inverness, nine people were injured by hailstones as the heatwave ended. Forecast, Back page.

**Police investigating about 300 armed robberies** arrested 29 people in southern England and Wales following an underworld tip.

**Operational head of Scotland Yard's CID David Powis** claimed there were no more than a dozen "hardcore" violent leftists in London, and the Yard might soon break the back of organised crime in the capital.

**More than 100 road schemes** have been shelved by the Government because of public spending cuts, says a White Paper on the road programme. Back and Page 9; Editorial Comment, Page 22.

**John Power, 36, of Manchester**, died ten weeks after receiving a new heart at Papworth hospital, Cambridge. Andrew Paterson, 22, was unconscious at the hospital after receiving a teenager's heart.

**Two people were stabbed** as they walked with three masked raiders and killed a woman, snatched at Courtauld, Aintree, Liverpool.

**Thirty people were injured** in a train crash at Partick, near Glasgow. Several were detained in hospital.

**Rusby player Christopher Gifford, 40, jailed for six months** for breaking an opponent's jaw during a friendly match, had his sentence cut to two months by the Court of Appeal.

**Granada Television won its plea** to the Lords for a final challenge to a court ruling that it must name the British Steel employee who leaked confidential documents. Page 7, Men and Matters Page 22.

**London employers were offered** the chance to buy special Underground and bus tickets which would be a tax-free perk for employees. Page 9.

**England were 243-7 at the close** of the first day of the Cornhill Test against West Indies at Trent Bridge.

**Tourists are paying about £3** a night to stay in renovated jail cells in Verberg, Sweden.

**PLANS** for a broad new strategy to reorganise the EEC's trade relations with Japan, involving proposals to limit certain key categories of Japanese exports, are being drawn up by officials at the European Commission in Brussels.

They hope that the main elements of the strategy can be decided in time to enable the Community to open negotiations with the Japanese Government which will yield concrete agreements by the end of this year.

One of the first priorities will be to persuade Japan to limit the number of colour television sets and tubes which it exports to European countries in the next four or five years.

Japan is prevented from exporting tubes and sets bigger than 20 in by the terms of the patents governing the PAL colour system. These terms are due to expire at the end of this year.

Continental television manufacturers, notably the Dutch Philips group, have told the EEC that unless urgent measures are taken a surge of Japanese exports next year will seriously threaten survival of the European television industry.

The EEC is examining the possibility of asking Japan to limit other types of exports, including cars. It fears that negotiations on this will prove politically very difficult, and can be tackled only over a longer term.

EEC Commission officials insist that such limits should be genuinely negotiated, and not imposed unilaterally by the EEC, and that the Community must be prepared to offer Japan concessions in return.

They emphasise that both sides are dissatisfied by the outcome of the GATT multilateral trade negotiations, concluded in Geneva last year, and hope to establish a continued dialogue with Japan on trade matters, of the kind which the EEC has enjoyed with the U.S.

The commission would like in particular to relax or eliminate altogether many national quotas imposed by EEC governments on a variety of products of which Japan is a significant exporter, including ceramics and footwear.

These have caused growing irritation in Tokyo, particularly as some are aimed exclusively at Japan and pre-date the creation of the EEC.

But the commission faces a difficult task in persuading governments of the Nine to dismantle many of the quotas which cover more than 50 product categories.

Particularly strong resistance is expected from Italy, which operates extensive national restrictions on Japanese imports. Sales of Japanese cars in Italy, for example, are limited to a few thousand a year.

Officials in Brussels expect the full 13-member commission to discuss the proposals before the end of this month. If they are approved, the commission will probably ask the Council of Ministers next month for a mandate to open negotiations with Japan.

As now envisaged, the Commission's plans to negotiate limits on Japanese television and tube exports would superimpose the voluntary restraints which now apply to the UK market, concluded between British manufacturers and Japanese exporters.

The Commission has watered down earlier proposals to impose statutory restrictions on volume of Japanese imports in deference to West Germany, which is opposed to the idea of legislated trade barriers.

It proposes to seek a less formal "understanding" with the Japanese, who will be asked to commit themselves not to exceed the level of EEC market share in the past few years.

**Silkin launches Labour campaign for withdrawal**

**Caterers seek £65**

**MR. JOHN SILKIN**, the shadow Industry Secretary, and a leading candidate for the Labour leadership when Mr. James Callaghan goes, yesterday launched a campaign to commit the next Labour government to unconditional withdrawal from the Common Market.

The campaign coupled with moves to make MPs more accountable to the annual conference, could make it very difficult for pro-Marketeers like Mr. Shirley Williams and Mr. William Rodgers to stay in the Labour ranks.

Dr. David Owen, the former Foreign Secretary, and another committed European, yesterday described the move as the most certain recipe for splitting the Labour Party that could be imagined.

Labour's present position on Europe is that fundamental reforms are essential and that withdrawal would have to be considered if they were not forthcoming.

But yesterday, with Mr. Silkin as their standard bearer, the Labour Common Market Safeguards Committee argued in a new pamphlet that commitment to try yet again to renegotiate Britain's terms of membership was bound to fail. Britain's future, the committee concluded lay outside Europe.

The committee, which has just under 100 MPs, including three other shadow cabinet Ministers, circulated a two-part resolution which it hopes will be debated at this year's party conference.

The first part calls on the next Labour Government to repeal Section Two of the European Communities Act so as to return to Westminster control over all EEC legislation in Britain.

This is already party policy, but the safeguards committee added to this a demand for an unconditional commitment to withdrawing from the Market altogether.

Our Labour Staff writes: Britain's largest union, the Transport and General Workers, yesterday confirmed its support for Mr. Callaghan as party leader.

Mr. Moss Evans, its general secretary, was careful to base his union's support on its loyalty to a democratically elected leader.

Mr. Clive Jenkins, general secretary of the Association of Scientific, Technical and Managerial Staffs, took a stronger line on the leadership when he said that he and other union leaders had not only pledged their support to Mr. Callaghan but had urged him to stay on and fight the next general election.

TGWU evidence to party inquiry, Page 11  
Politics Today, Page 23

**THE** recent severe reserve-asset pressure on the banking system has eased considerably in the present banking month, but not sufficiently for the whole of the £1bn of temporary relief outstanding in mid-May to be withdrawn.

The easing of liquidity pressures is principally because central government spending is again exceeding revenue. This has been reflected in a drop of a point or more in short-term interest rates over the past week.

In these changed circumstances it is possible—without the Bank's action—that market interest rates might have fallen in the next few weeks. But the authorities have slightly tightened conditions by ensuring that £1bn is repaid. This gives them greater control over interest rates ahead of any decision about Minimum Lending Rate.

The Bank said yesterday "The recent severe reserve-asset pressure on the banking system has eased considerably in the present banking month, but not sufficiently for the whole of the £1bn of temporary relief outstanding in mid-May to be withdrawn."

Although he suspended unilaterally the autonomy talks last month, President Anwar Sadat, of Egypt, has issued a plea that the Camp David accords, associated with last year's peace treaty with Egypt, should not be abandoned and urged the U.S., instead, to exact concessions from Israel.

Following Mr. Carter's stern warning that the U.S. would veto any European attempt to amend UN Security Council resolution 242, the guidelines for all previous peace-making attempts, all of the Nine have renounced any such course of action.

However, the European Commission's political directorate earlier this week discussed and came close to agreeing on a diplomatic mission to Arab capitals and Israel. That is understood to be Mr. Carter's second main concern on the subject.

**Land Securities £108m issue**

**WELCOMES HOME SIR KETH**

**LAND SECURITIES** Investment Trust, Britain's biggest property company, announced yesterday that it was seeking to raise about £108m from shareholders in the largest rights issue the City has seen for several years.

After the announcement the group's share price fell from 325p to 310p. Ordinary shareholders are offered one new share at 265p for every six now held. Comparable terms are offered to convertible shareholders.

The issue comes at a time when Landsit has faced criticism from some quarters of the property market for not becoming more active in new developments.

Mr. Peter Hunt, Landsit's managing director, stressed that the group would not embark on a major new development programme. Instead the rights issue cash would be almost entirely to increase the value and income from the group's property portfolio.

This is to be achieved by a programme of refurbishment and redevelopment of existing sites. Landsit will seek to buy in freeholds and leases of properties where it already has an interest.

At the end of March the group was committed to capital expenditure of £66m. A large slice of this is to be spent on two big Central London projects, refurbishment of Devonshire House in Piccadilly and development of the King William Street site in the City.

After partial revaluation of Landsit's property investments earlier this year, value of the portfolio is estimated at 490p a share, 456p once the effect of the rights issue, fully underwritten by J. Henry Schroder Wagg, is taken into consideration.

Brokers to the issue, closing at 3 pm on July 1, are Rowe and Pitman and Cazenove and Co.

Last month the group had pre-tax profits of £38.1m, 44 per cent higher than in 1978-79. Dividends for the year ending March 31, 1980 were 7.5p net. The group has not included a dividend or profits forecast with the announcement of the rights issue.

Property news Page 22  
Lex Back Page

**Hope you enjoyed your trip to Silicon Valley, where you spoke of your ambitions for the U.K.'s chip filled future.**

**Did you know that your dream has already been realised in Swindon, England?**

**Why not send for the Swindon Fact File and get details of our chip based companies.**

**More than a dozen so far - more to come.**

*Douglas Smith*  
Industrial Adviser

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**SWINDON**  
Vale of the White Chip

Test against West Indies at Trent Bridge.  
Tourists are paying about £3 a night to stay in renovated jail cells in Verberg, Sweden.  
Page 24, Lex, Back Page

● HARVARD Securities: an apology. Back Page

## CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

| RISES                  |          | FALLS                |          |
|------------------------|----------|----------------------|----------|
| Fund 61pe 85.57-4764   | + 1      | Bywater              | 734 + 23 |
| Treas. 111pe 03-07-280 | + 1      | Emperor Mines        | 35 + 5   |
| Allied Colloids        | 115 + 9  | Gold Mt. Kaigorie    | 346 + 36 |
| Alpine Soft Drinks     | 87 + 7   | Hosma Gold           | 32 + 7   |
| Brit. American Film    | 75 + 9   | Hill 50              | 36 + 7   |
| Electrocomponents      | 512 + 12 | Kloof Gold           | 2134 + 1 |
| Hal (M.)               | 199 + 7  | Mount Carrington     | 40 + 3   |
| Hambros                | 391 + 8  | Parings              | 62 + 7   |
| Highland Distills.     | 142 + 7  | Poseidon             | 157 + 14 |
| Keyser Ullmann         | 80 + 8   | RIZ                  | 388 + 8  |
| Lucas Inds.            | 150 + 5  |                      |          |
| Moss Bros.             | 118 + 10 | Bealer (J.)          | 13 - 4   |
| Pegler-Batterley       | 154 + 4  | Burco Dean           | 26 - 3   |
| Redland                | 97 + 7   | Comet Radiovision    | 68 - 4   |
| Standard Fireworks     | 236 + 9  | Gr. Portland Estates | 222 - 10 |
| Tarmac                 | 196 + 7  | ICI                  | 356 - 10 |
| Wigfall (H.)           | 233 + 11 | Land Securities      | 310 - 18 |
| Burnish OH             | 155 + 7  | MEPC                 | 197 - 7  |
| Candeece               |          | Ottomani Bank        | 255 - 7  |
|                        |          | Pleasure             | 145 - 4  |

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# SWINDON

Vale of the White Chip



## EUROPEAN NEWS

## Cossiga's survival could hinge on local poll

BY RUPERT CORNWELL IN ROME

THE CAMPAIGN for Italy's regional and local elections closes tonight with scarcely any indication of what the outcome will be.

Technically, 43m Italians will vote on 15 new regional governments, 86 provincial and 6,590 city administrations throughout Italy, but the issues have been purely national. The result will be almost as important as that of last year's inconclusive general election, and will be of vital importance to the survival of the centre-left coalition government of Sig. Francesco Cossiga.

The campaign began amid general indifference, but has been transformed by last week's Donat Cattin affair into the most venomous confrontation between Communists and Christian Democrats in 20 years.

The dogfight suddenly stilled yesterday as politicians on every side mourned Sig. Giorgio Amendola, the Communist elder statesman who died at the age of 73.

One of the earliest and most tenacious opponents of fascism, Sig. Amendola had become increasingly critical in recent years of his leadership's strategy in national politics and the Italian trades union movement.

For the Christian Democrats, the election is a first test of the popularity of the harder anti-Communist line of the new party leadership.

For the Communists, it is a chance to show that the decline in their support evident at the June 1979 general election has been halted, or even reversed, now that the party is taking a tougher line in opposition to the present coalition.

The hard line has been nowhere more apparent than in the Communists' attitude to the Donat Cattin case, where they are seeking to re-open the inquiry into whether the Prime Minister unwittingly helped in the fight of wanted terrorist Sig. Marco Donat Cattin, son of Sig. Carlo Donat Cattin, the former Christian Democrat Party vice-president.

| OUTGOING REGIONAL GOVERNMENTS |                              |
|-------------------------------|------------------------------|
| Communist dominated           | Christian Democrat dominated |
| Piedmont*                     | Lombardy                     |
| Liguria*                      | Veneto                       |
| Emilia Romagna                | Abruzzo*                     |
| Tuscany                       | Molise                       |
| Umbria                        | Basilicata                   |
| Lazio*                        | Campania                     |
|                               | Puglia                       |
|                               | Calabria*                    |

\* The Marche region is ruled by a Socialist-led coalition, with external Christian Democrat support.  
\* Vulnerable administrations.

The Communists clearly believe that the issue may lay bare the ruling party's abuse of power and could be an electoral winner. But the Christian Democrats feel that their opponents may have made a bad misjudgment of the public mood, especially given the reputation for integrity of the Prime Minister himself.

Socialists, Republicans and Christian Democrats, the three coalition partners, have all

rallied around Sig. Cossiga. Earlier fears of a sudden Government crisis have been banished, almost certainly until after the round of international meetings that Italy is playing host to this month.

What happens thereafter will hinge on the results of this weekend's poll. A good performance by the coalition partners will strengthen Sig. Cossiga's government in office. But should the Socialists in parti-

cular fare poorly, and not hang onto something near the 12 per cent they won in the last regional elections of 1975, the old splits between right and left of the Socialist party will reappear, and perhaps oblige the party to pull out, thus precipitating another government crisis.

Most expectations are that the smaller parties, particularly the Liberals and the Social Democrats who were dropped from Government two months ago, may do well. This would only increase the discomfort of the Christian Democrats.

In purely regional and local terms, a serious drop from the 33.4 per cent won by the Communists in 1975 would imperil their regional administrations in Liguria, Piedmont and Lazio. A swing the other way would shake the Christian Democrats' grip in Calabria and Abruzzo. In municipalities in Tuscany and Naples are at risk, as is the Socialist/Communist alliance in Venice.

## Moscow expects 100,000 for Games

THE Soviet Union has cut its estimate of the foreign visitors to the Olympic Games in Moscow next month from up to 300,000 to only 100,000.

The new estimate was given by Moscow's mayor, Mr. Vladimir Promyslov. He declined to link the decrease with the U.S.-inspired boycott over the Afghan invasion and, indeed, asserted that the American effort had failed since 85 countries will be sending teams to the games.

The mayor said that 3,500 (25,000) had been spent preparing for the games, against an original Russian estimate of 200-250m. But Mr. Promyslov later maintained in answer to questions that the higher figure was earmarked for normal city expenditures which had merely been brought forward for the Olympics. The actual cost, he said, was 300m-400m.

Western observers believe that the real figure is much nearer £1.3bn. Of this, about \$220m is in hard currency and includes the cost of a modern airport terminal built by the West Germans, a 22-storey French-built hotel in Moscow and another with 500 rooms in Leningrad.

Mr. Promyslov said that the Olympic facilities at all 99 sites in five cities were virtually ready. These include the Olympic village, a set of 18 new 16-storey blocks of flats which were to have housed 12,000 athletes. This number could be cut by up to half in the absence of the U.S., West German, Japanese, and other large contingents.

## Strike in France

French trade unions yesterday staged a third major strike and demonstration in three weeks against changes in the social security system. The action, inspired by the Communist-led CGT union, hit public transport, electricity supply and newspapers, as well as closing many doctors' surgeries.

## Strike in docks hits Swedish foreign reserves

BY VICTOR KATZETZ IN STOCKHOLM

SWEDEN LOST nearly 11 per cent of its foreign currency reserves in the last two weeks of May, due mainly to the strike by 2,400 members of the maverick Harbour Workers' Union, which has seriously hurt exports.

It was the largest currency outflow since January, when high interest rates abroad led the Riksbank (central bank) to raise the discount rate 1 per cent to an all-time high of 10 per cent.

At the end of May the Riksbank's reserves stood at SKr 14.4bn (£1,488bn) following a drain of SKr 1.7bn in the preceding fortnight. Balancing this was a net foreign credit of SKr 167m drawn by the National Debt Office.

For May as a whole the outflow was SKr 2.4bn, balanced by SKr 1.6bn in net Government borrowing abroad. For January-May inclusive the drain was SKr 8.7bn and state loans from foreign sources grew by SKr 7.9bn.

This week the Federation of Swedish Industries said that if the strike, today entering its sixth week, continues to the end of June, Sweden stands to lose SKr 4bn (£415m) in exports or a third of the expected volume.

The strike has shut ports, normally handle 75 per cent of seaborne exports, but Volvo and some other big exporters have found alternative routes to handle part of their goods.

Late on Wednesday, the Harbour Workers' Union executive decided to continue the strike indefinitely, refusing to accept the agreement signed last Sunday by the Transport Workers' Union involving a 10 per cent wage rise from July 1. The harbour workers, excluded some years ago from the 45,000-strong Transport Union and from the blue-collar Labour Confederation, want a 30 per cent rise and a separate contract.

In the south-west city of Helsingborg, Sweden's second largest port, a prosecutor has said he will indict some 20 dockers on trespass charges after they tried to block Transport Union members from unloading several ships, including the British roll-on/roll-off vessel Cleve which had arrived from Felixstowe.

Striking dockers in the small south-eastern port of Oskarshamn voted to return to work for fear they would lose their jobs because shippers were diverting their business to unaffected ports.

## EEC BUDGET DEAL

## Europeans look for something in return

BY JOHN WYLES IN BRUSSELS

BRITAIN CAME under pressure here yesterday to make concessions on energy and farm prices now that the row over its contributions to the European Economic Community has been settled. Although the budget deal has been accepted by all EEC governments and was the breakthrough the British were seeking, it is by no means guaranteed to transform the UK's often testy relations with its community partners.

This was clear yesterday at the regular weekly meeting of EEC ambassadors. Both West Germany and France indicated that they expected Britain to offer something in return for the special arrangement which should reduce British budget payments to Brussels by more than \$2bn by the end of 1982.

France's ambassador again insisted that the UK should not seek to hold up any farm price agreement next year. Britain's threat to do this was a major factor in bringing the deal to a budget settlement last Friday. Fearing British efforts to seek a stern clamp-down on farm price rises, France warned yesterday that it would not pay its share of

the special deal for the UK in 1981 unless there were first a farm price settlement.

This would be totally unacceptable to the UK, whose ambassador also heard from his West German colleague that Bonn, which is wrestling with domestic budget problems as a result of the deal, would like to see greater flexibility in the UK's oil and gas production policies.

West Germany has long sought an undertaking that the UK would step up oil and gas output to provide more for its community partners if there were a general shortage not serious enough to trigger international crisis measures.

The European Commission announced yesterday that it would now start procedures to secure the approval of the European Parliament for a 1980 budget, possibly at a special session on June 26-27. The Commission is also aiming to complete new regulations for the UK's agreement by next week. Of greatest interest will be the regulation allowing for specially increased expenditure in Britain on programmes ranging from urban renewal to transport, sewage and coal

## Austria raises charges to cut budget deficit

By Paul Lendvai in Vienna

AUSTRIA'S Socialist Government has approved measures to reduce the budget deficit for 1981. Increases in postal charges, rail and road fares and social security contributions are being made to achieve a reduction in expenditure. The draft budget for the year coinciding with the calendar year, is due to be presented to Parliament this autumn.

The package will yield only Sch 3bn (£101m) in extra revenue. To reduce, as planned, the next budget deficit, excluding debt repayments, to 2.5 per cent of gross domestic product, federal spending plans will have to be pruned substantially. The net budget deficit reached 3.8 per cent last year and is expected to total 3.2 per cent of GDP this year.

Almost 15 per cent of freely disposable public expenditure will have to be devoted to servicing the national debt.

## Finnish coalition outlines 1981 budget policy

BY LANCE KEYWORTH IN HELSINKI

FINLAND'S centre-left coalition cabinet presented Parliament today with a working paper containing the outlines of its policy for the 1981 budget which it will be finalising during the summer. But, while the government, which has been in office for just one year, is likely to survive long enough to present the budget Bill in September, it may not live to see it passed.

It has been bedevilled by internal dissensions for weeks and only a last minute compromise between the Social Democrats and Communists on one side of the coalition and the Centre party and Swedish People's party on the other prevented Mr. Mauno Koivisto, the Prime Minister, from throwing in the towel a week ago.

The compromise was agreement on a so-called anti-inflationary programme and social security package. The main points are embodied in the Government's working paper for the budget Bill.

The anti-inflationary measures proposed are limited to the postponement this year of FM 1.2bn (£141m) of public sector investment, creaming off private sector liquidity by making the saw-milling and pulp branches pay about FM 260m in export deposits, and ordering a broad section of industry to freeze some of its earnings in a special fund. Employers will have to pay 0.25 per cent of their payroll costs in child allowance payments from July 1980 to February 1981.

As a concession to industry, the temporary turnover tax relief on new investments in productive buildings and machinery will be extended to the end of 1981. However, industry is being asked at the same time to postpone new investment projects. Thus, the main burden of cooling what the Government claims is an overheated economy is again being placed on industry. For the consumer, there is the assurance of more take-home pay in 1981, when tax scales



Mr. Koivisto: discussions wrack administration.

will again be adjusted for inflation. The most alarming feature of the Government's proposals is the social package of family supports and pension reform. It is not only inflationary, it is

a return to the old Finnish political custom of solving current party disputes by mortgaging the future.

The reform of the pension scheme now agreed for 1981-85 is going to add at least FM 2bn and possibly as much as FM 4bn to public expenditure. No concrete proposal has been made for funding these additional outlays, but increased taxation would seem to be the only practical solution. Yet all the eight parties represented in Parliament are committed to reducing direct taxation.

The Government says in its working paper that it was advisable to prepare a budget for 1981 that is "more or less neutral in its effects." Later in 1981, when total economic growth is expected to fall to 2.3 per cent from this year's 6 per cent, stimulatory measures can be introduced in supplementary budgets.

Inflation, "the greatest threat to economic policy," is currently running at an annual 12 per cent.

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THE FRIENDLY GIANT FROM JAPAN



## OECD hopeful Yugoslavs can cut payments deficit

BY TERRY DOODSWORTH IN PARIS

YUGOSLAVIA SHOULD be able to reduce its 1979 current account deficit of \$3.4bn by a substantial amount this year as officials hope the Organisation for Economic Co-operation and Development says in its latest annual country review.

The survey says there should be a very marked slowdown in the growth of domestic demand this year, while the depreciation of the currency and a recent deal to improve access for Yugoslav products in EEC markets should help exports. This means that a deficit of \$2bn this year can be obtained.

But the OECD warns that even a decline in domestic

demand will not bring inflation under control. Special arrangements seem necessary, it says, to bring a steady reduction in the rate of labour cost increases.

The OECD doubts that Yugoslavia will bring down inflation as rapidly as officials suggested. Against an increase in consumer prices of about 22 per cent last year, the authorities have set a target of a little over 19 per cent for 1980.

Although the OECD accepts that a significant improvement can be expected later in the year, rising oil prices have already helped raise prices by 26 per cent in the first three months of this year.

## Swiss bank disclosure law passed by Upper House

BY BEN KHINDARIA IN BERNE

THE TRADITIONAL freedom of Swiss banks to refuse to disclose information concerning accounts of foreigners suspected of tax fraud will be reduced by the result of a law in the final stages of approval by Parliament.

The Upper House approved on Wednesday, a draft law requiring the Government to give legal help to any country seeking information about the dealings with Swiss banks of people accused of tax evasion and fiscal fraud.

The law, which has yet to be approved by the Lower House, defines fiscal fraud more widely than in the past. Previously, legal help was given only where Switzerland was bound to do so under bilateral treaties and the offence committed by the foreign country was a criminal one under Swiss law.

would be given to any foreign Government in all cases of fiscal fraud. But it excludes assistance where other foreign economic or monetary regulations are violated, such as foreign exchange rules.

The help given would be limited to matters like notification of documents, the handing over of files and information, searches and administrative measures. Prosecution would be undertaken only where Swiss laws are broken.

The law will not place any obligations on banks but under a gentlemen's agreement, banks help the Swiss Government with information when there is substantial reason to suspect criminal fraud.



# Mideast peace and Carter's rebuke: a dilemma for Europe

BY RICHARD JOHNS IN LONDON AND JOHN WYLES IN BRUSSELS

PRESIDENT Jimmy Carter's remarkable warning to the European Community not to interfere in the Middle East peace process has highlighted a serious rift within the Alliance over how to resolve a problem which vitally affects the security of the West.

The Administration has asserted that the Camp David peace process—Mr. Carter's major foreign policy success so far—remains the only basis for a comprehensive settlement of Arab-Israeli conflict.

The Nine, on the other hand, believe that to be a simplistic and possibly dangerous viewpoint. They consider a major new push is now required, either to broaden or possibly to replace the Camp David framework and salvage the autonomy talks, which they see as hopelessly deadlocked.

The European conviction is strengthened by the growing turmoil of Arab protest and Israeli action on the West Bank, where the mainstay of two prominent Arab mayors earlier this week has reinforced the hardening of Palestinian attitudes. It is also clear that the Palestine Liberation Organisation (PLO) has emerged from its latest deliberations in a more truculent and intransigent mood than it has been for some time.

But with the credibility of the Western Alliance seriously damaged by the Iran crisis and the Afghanistan invasion, the European Community is faced with a serious dilemma.

The choice of whether to proceed with an independent initiative is especially difficult, since it might well provoke an even stronger reaction from Mr. Carter in the run-up to the U.S. Presidential election, and push Mr. Menachem Begin, the Israeli Prime Minister, into an even more intransigent set of policies.

The furthest the Nine have gone so far was the statement in the UN General Assembly last September acknowledging that the Palestinian people were

"entitled within the framework set by a peace settlement to exercise their rights to determine their own future as a people."

Since then both Lord Carrington, the British Foreign Secretary, and President Giscard d'Estaing of France have toured the Gulf. They returned deeply impressed that the moderate oil producers, notably Saudi Arabia, find intolerable the prospect of a negotiating vacuum while the world awaits the outcome of the U.S. election. Paris, Bonn and London have been made to understand that a European initiative would be welcomed by the Arabs.

In March President Giscard spoke of the need for Palestinian self-determination, semantic but significant advance on the statement to the General Assembly because the phrase is reckoned to imply statehood. While the European Community is not yet ready to recognise the PLO as the sole and legitimate representative of the Palestinian people, the Nine are more or less convinced that at some point the organisation must be brought into the arena of Western diplomacy. The hope is that it might then be induced to drop the objective of dismantling the Jewish state.

The Community considers the Camp David peace process to be virtually dead, and it now has to consider three questions:

- What initiative can it take towards reviving the impetus towards a comprehensive settlement?
- Should it be aimed at expanding or replacing the narrow formula provided by the accords agreed in association with the Egyptian-Israeli peace treaty?
- Can the Community contribute anything positive?

In the spring Lord Carrington suggested an amendment to UN resolution 242 (1947) (the framework of all previous attempts to solve the Arab-Israeli dispute) to include the principle of the right of the



President Giscard... implied Palestinian statehood. President Carter... a warning. Intransigent. Lord Carrington... change in Resolution 242.

Palestinians to self-determination. Britain and other members of the Community, with the possible exception of France, had already concluded that it would be counter-productive to take any action that would risk a U.S. veto in the Security Council.

The Nine have not been able to produce any alternative plan

to solve the Palestinian problem, but two complementary propositions are now being discussed.

First, there has been discussion on the common recognition of the Palestinians' right to self-determination, and this is more than merely a device to win favour with the Arabs. The Nine believes such a move

could help ease tension in the Middle East, and make up for fundamental deficiencies in the Camp David accords.

Second, there has been talk about reviving the "Euro-Arab dialogue"—dormant since the end of 1978—at a higher, possibly foreign ministerial level with PLO representation.

These exchanges had gone on for three years, but had been hampered by Arab insistence that politics, specifically the Palestinian issue, be given equal importance to economic co-operation and oil.

Initial impetus for resumption of the dialogue came from the Arab League at a meeting

with EEC officials in Rome early in March. The Arabs did not make recognition of the PLO a precondition, but the Nine are now prepared for the dialogue to embrace this central issue. In itself, this represents an important shift.

Any pronounced shift towards Palestinian self-determination and direct dealings with the PLO at official level would, of course, be anathema to Israel. Hence the strenuous diplomatic campaign by it to head off any initiative and the almost hysterical denunciation by Mr. Begin on Monday when he accused "all the people of Europe of co-operating with the destroyer" (Hitler) by handing over Jews to the Nazis.

The danger, perhaps not fully appreciated by the Nine, is that they could provoke the Israeli Premier and his colleagues into an even more dogmatic, stubborn and extremist position or, even worse, prompt them into more repressive measures in the occupied territories and armed intervention in Lebanon.

Mr. Begin's attitude betrayed a concern about the European Community, whose friendship Israel needs. And the Nine must calculate whether a shift towards the Palestinian cause might increase Israel's sense of isolation, thereby further eroding the base of the country's weakened Government and improving the chances of the coalition falling before the end of its appointed term in November, 1981. The return before the end of the year of a Labour Government, even with an absolute majority, would not necessarily improve the chances of a settlement.

Mr. Yitzhak Rabin, the shadow premier, and Mr. Shimon Peres, his rival, believe the only solution to the Palestinian problem lies in some arrangement with King Hussein of Jordan. The Camp David accords assumed or hoped for his eventual participation in a

settlement despite the fact that the Hashemite Monarch was not consulted and that this would be bitterly opposed by the radical Arabs.

King Hussein welcomed the prospect of a European initiative after seeing President Giscard in February, and the Saudi regime feels the same way. Disillusioned with the failure of the U.S. to keep the Shah in power, seeking security within the bosom of Arab consensus, and seeing the recovery of Jerusalem as important as the liberation of Kabul, it is anxious for any way to break the Camp David deadlock.

To a lesser extent, the same is true of the other Gulf States. The trouble is that they tend to see the unformulated European initiative—to use the words of a senior European diplomat—as "a rampant stallion locked behind the stable doors and waiting to be unleashed so that Arab honour can be restored and Palestinian grievances be put to right."

Syria has placed itself beyond the scope of the Camp David process. Libya has turned to Moscow for sustenance; and Iraq, the rising power of the Arab world, remains resolutely opposed to negotiation. The PLO is pursuing its own diplomatic initiative with West Europe as vigorously as ever, but the tendency, probably stimulated by Israeli policy in the occupied territories, has been towards total and bloody confrontation.

As much as ever a comprehensive settlement of the Arab-Israeli dispute may seem a mirage. The European Community can have no choice but to search for ways and means to find a solution. Oil supplies must remain a fundamental pre-occupation. Britain and France have long recognised that there can be no effective, enduring settlement without satisfying Palestinians and they appreciate that must eventually mean dealing with the PLO.

## Nablus mayor transferred to Jordan hospital

BY DAVID LENNON IN TEL AVIV

MR. BASSAM SHAKA, the mayor of Nablus, who was injured by a bomb in his car on Monday, was transferred to a hospital in Amman, Jordan, after his condition had deteriorated. His legs were partly blown away in an explosion which Palestinians believe was the work of Jewish extremists.

The doctors treating him in Nablus, the largest town on the Israeli-occupied West Bank, said that the mayor had contracted gangrene and

required additional treatment for which the local hospital was not equipped. Mr. Shaka and his family rejected an offer of treatment in an Israeli hospital.

The condition of Mr. Karim Khalaf, the mayor of Ramallah, who was seriously injured by a car bomb the same day, has also deteriorated. Doctors fear that they may have to amputate his right leg because of poison spreading

from his wounds. His left foot was blown away by the bomb. The security forces investigating the bombings were reported to be concentrating their inquiries among the Jewish settlers in Kiryat Arba, near Hebron on the West Bank.

Arab leaders held a protest meeting in Nazareth yesterday and appealed to mayors in the occupied territories not to resign, because this would not solve the problem of the occupation, they said.

The mayors of Gaza and Bethlehem resigned earlier in the week and are now under strong pressure from the Israeli authorities and the hard-line forces within the Palestinian camp to withdraw their resignations.

Israeli troops attacked Palestinian targets in the Lebanese port of Sidon, killing or wounding a number of guerrillas, the army's spokesmen announced in Tel Aviv yesterday.

## EUROPEAN NEWS

### Bonn seeks to share EEC budget deal burden with states

BY JONATHAN CARR IN BONN

IN A neat piece of pre-election strategy, the West German coalition Government has thrown part of the responsibility for meeting Britain's EEC budget bill on the political opposition. At the same time, it has managed to avoid further cuts in the individual budgets of Bonn Ministries this year, thus preventing further squabbling between the Social Democrat (SPD) and Free Democrat (FDP) partners.

A key architect of this elegant manoeuvre, which comes just before the start of FDP and SPD national congresses, is Herr Hans Matthöfer, the Finance Minister, and a Social Democrat, who gave details yesterday to the Press. His comments came after a nine-hour Cabinet meeting on Wednesday at which it was agreed, reluctantly, to accept the EEC budget deal worked out by the nine Foreign Ministers in Brussels last week.

West Germany is the biggest single contributor to this accord, and in theory has to pay DM 2,53bn (£800m) over 1980 and 1981 into the pool to cut Britain's bill. However, Herr Matthöfer took away the breath of some of his listeners by revealing that Bonn could spread its payments into 1982 as well.

This is because of differences in the West German and British budgetary years, with the former the same as a calendar year and the latter starting in April. This means that the payments for the two British years, April 1, 1980, to March 31, 1981, and April 1, 1981, to March 31, 1982, can be spread over three West German budgets.

Herr Matthöfer revealed that he had DM 600m already tucked away in his 1980 Budget (to the end of December) to help meet the British bill. He was not ready to increase State borrowing nor could he see anywhere to make expenditure cuts, so no more could be done on the EEC side this year.

For his 1981 budget year he

expected that a sum of DM1.5bn would be needed, DM500m of it carried over from 1980. As matters stood, Herr Matthöfer said, the Federal Government could not pay this bill alone and, therefore, demanded help from the *Laender*—the federal states with which Bonn divides up tax revenue.

The Minister said that either the *Laender* must hand over a bigger percentage of value added tax revenue to Bonn or taxes would have to be raised next year on petrol and spirits in particular.



Herr Matthöfer: spreading the load.

This faces the *Laender*, the majority of which are run by members of the opposition Christian Democrats (CDU) and Christian-Social Union (CSU), with a serious dilemma.

If they pay up, they will be helping finance the policies of a government they are seeking to unseat in the general election on October 5. If they do not, the SPD-FDP Government will stress that it is forced to raise taxes because of what it will try to portray as the lack of European responsibility among the CDU-CSU.

Herr Matthöfer also made no secret of his concern about the farm price settlement, which forms part of the Brussels accord, and warned that the EEC might well face a financial crisis in the second half of next year. But his budget strategy has given heart to coalition parties which only a few days ago were swapping insults over the British settlement.

The FDP congress begins in Freiburg today with a speech by Herr Hans Dietrich Genscher, its party chairman, and the Foreign Minister. The SPD congress will begin on Monday in Essen, where Chancellor Helmut Schmidt is expected to refer in strong terms to the current state of the European Community and its finances.

### Legislation will ease banks' role in Italy

By Rupert Cornwell in Rome

LEGISLATION, WHICH at last will put Italian public sector bankers on the same legal footing as their private sector counterparts, is likely to be approved by the Cabinet shortly after this weekend's regional elections.

The draft Bill, which has extremely important implications for the smoother operation of Italy's buffeted banking system, is to bring the country's banking legislation formally into line with other EEC nations. All-party support is expected to assure it a relatively tranquil passage on to the statute book.

In the past bankers in the state controlled area of the system were vulnerable to much more serious charges than private bankers over ill-fated loan operations. Increasingly, this vulnerability has been exploited by magistrates, especially over the recent spate of politico-financial scandals.

The two most notorious examples have been the investigations into the collapse of the *Societa Italiana Resine* (SIR) chemical concern of Sig. Nino Rovevelli, and into *Italcasse*, the central Italian savings bank institute.

The first case saw Dr. Paolo Baffi, then governor of the Bank of Italy, and the cream of the country's banking establishment at one stage facing charges of misdirecting public funds. The second led to the dawn arrest of 39 top regional savings bank executives last March, again on the orders of investigating magistrates.

However, the new Bill would remove this threat and, with it, a source of great anxiety which has much impeded the functioning of public sector credit institutes, both in their short and in particular their medium term operations.

It would also represent the first major overhaul of the much criticised legislation dating back to 1936 by which Italian banking is fundamentally still governed.

The main uncertainty now—and it is one that might cause considerable controversy—is whether the amended legislation should be made retroactive.

### Danish vote

A Danish opposition attack on the handling of a Saudi Arabian oil contract by Mr. Poul Nielson, the Energy Minister, may find the Social Democrat Government in a minority in a parliamentary debate on Monday, writes Hillary Barnes in Copenhagen. There is serious doubt whether the Government will manage to find support for a resolution to counter a motion of no-confidence in the Minister.

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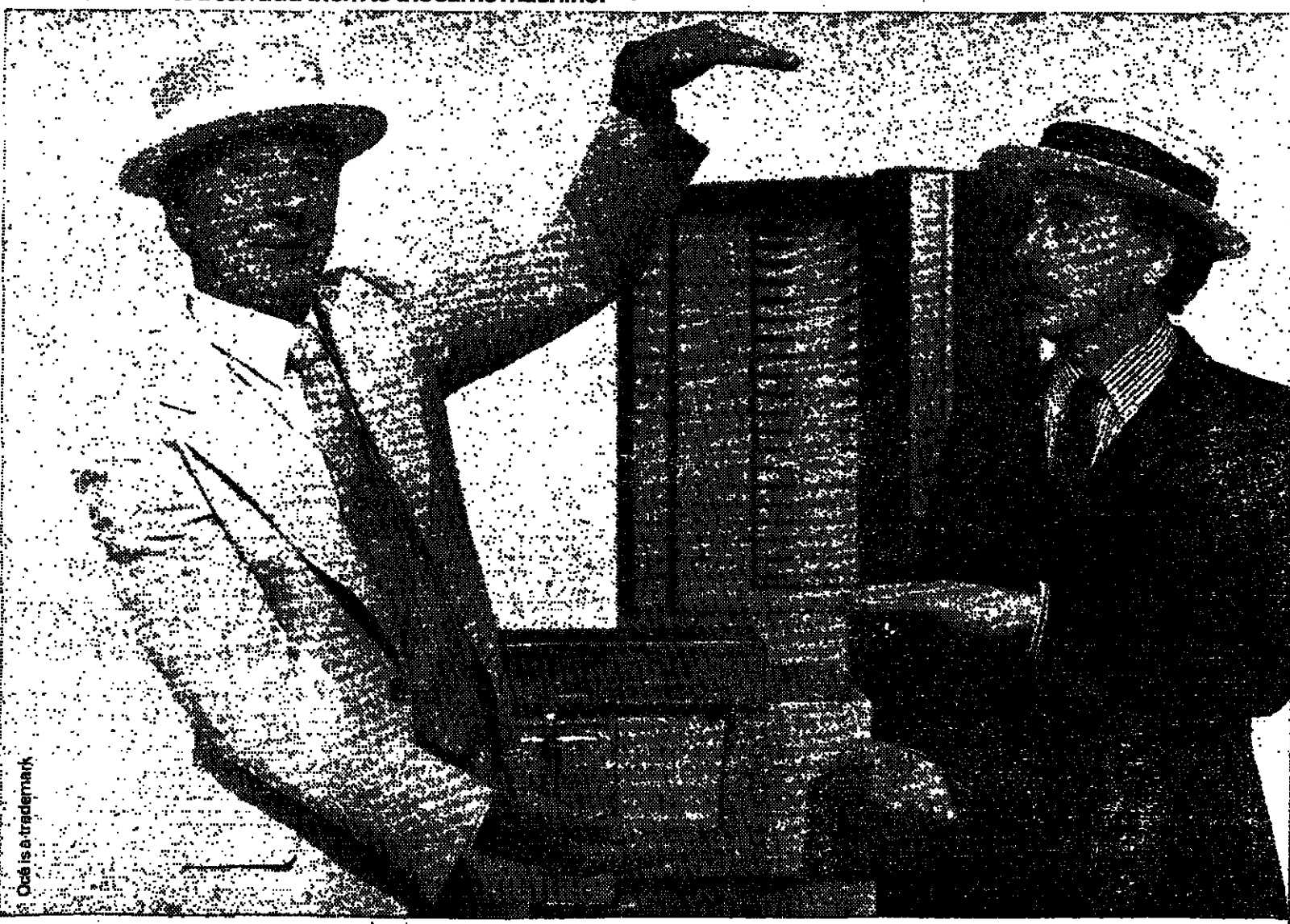
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## OVERSEAS NEWS

## AMERICAN NEWS

## Egyptian budget surplus promised

By Roger Matthews in Cairo

EGYPT'S budget will be in surplus for the first time in modern history during the coming financial year, Dr. Abdul Razak Abdel Meguid, Deputy Prime Minister in charge of the economy, said yesterday.

The announcement was greeted with scepticism and bewilderment by Western economic analysts who had been expecting an increased deficit.

Dr. Abdel Meguid, who took over his new job three weeks ago when President Anwar Sadat remodelled Egypt's government structure, is to introduce his first budget to Parliament on June 14. He said it would have three aims: to check inflation, to redistribute wealth and to improve the management of the economy.

One of Dr. Meguid's first acts on taking office was to change the start of the financial year from January 1 to July 1. In the January budget earlier this year the then-government forecast a net deficit of just under \$600m.

In the new budget Dr. Meguid said that this would not only be eliminated, but there would be a small surplus.

At the same time Dr. Meguid pledged that erosion of people's incomes through inflation would be halted and said he was introducing measures to increase wages and step up a range of social benefits. The total effect of these policies would be to inject \$600m into the public's pockets. The Government had earlier promised to increase subsidies on a number of basic commodities.

Asked to explain how this was compatible with eliminating the budget deficit, the Minister pointed to increased revenues from crude oil sales and the Suez Canal. Together these two items would bring in an additional \$684m during the next 12 months, he said.

"I am well satisfied with this package. There will not be a deficit, which will be a tremendous improvement, and I have frozen all Government expenditure, which in real terms, means a saving of 20 per cent."

The fact that the increase in revenue would outstrip the increase in expenditure would have a deflationary effect, the Minister said. He thought an International Monetary Fund team, due in Cairo later this month, would be well pleased with the result.

Dr. Meguid also announced the abolition of Law 600 whereby customs due had to be paid in hard currency. At noon yesterday a system was introduced whereby importers can open a line of credit with Egyptian and joint venture banks and will not have to use the so-called "own exchange" market where earnings of Egyptians abroad are used to finance these operations.

## U.S. and China move to cement closer relations

BY DAVID BUCHAN IN WASHINGTON

NEW ACCORDS on air travel, shipping, export credit and consular relations are being negotiated between the U.S. and China to cement the new relationship between the two countries, according to the State Department.

This follows a policy statement by a senior official, Mr. Richard Holbrooke, Assistant Secretary for Far Eastern Affairs. He said that the U.S. was no longer interested in using China simply as a diplomatic balance against the Soviet Union.

U.S. ties with China were now becoming so broad that they went beyond "the triangular diplomacy of the early 1970s" between the U.S. and the two Communist powers, he said. The Holbrooke statement in fact sets an official seal on what has been evident since the Soviet invasion of Afghanistan.

China is expected soon to be allowed to set up consulates in

New York, Chicago and Honolulu, while a civil aviation agreement could open up direct air travel to China by the autumn. Export-Import Bank credits to China to buy U.S. capital goods have so far been blocked by a number of legal problems, but these are close to resolution, officials say.

Colina MacDonnell, add: China's senior Vice-Premier, Mr. Deng Xiaoping, yesterday welcomed the announcement by Mr. Holbrooke, that the U.S. was giving up its policy of "even-handedness" towards the Soviet Union and China.

At the same time Deng confirmed that he was planning to resign from his vice-premiership this summer. He also confirmed that the disgraced Gang of Four—Chairman Mao's widow and her colleagues—would go on public trial later this year, though the proceedings would not be open to foreigners.

The U.S. statement is an important success for China's foreign policy. For years Peking has condemned detente as a fraud. It has tried to woo Western nations away from concessions to Moscow and towards its own view of the dangers of "social imperialism."

Mr. Deng, who is 76, said that although he planned to resign from the Vice-Premiership at the National People's Congress in August, he would retain his other posts including the party vice-chairmanship. In 1985 he will retire altogether to an advisory post.

Mr. Deng has said several times that he plans to give up the senior Vice-Premiership. This has provoked speculation that his apparent protégé, Vice-Premier Zhao Ziyang, will take over his post, or possibly even the post of Premier. This is at present held by the more conventional Maoist Hua Guofeng, who is also party chairman.

## South Korea acts to stimulate economy

By Ron Richardson in Seoul

THE SOUTH KOREAN Government of Mr. Park Chung Hee, which has been in office for a fortnight, has now introduced a series of inflationary measures to stimulate activity in the depressed domestic economy and to halt a rapid increase in unemployment.

The ceiling on domestic credit growth is to be raised considerably and the Government is planning a number of construction and job-creating projects. At present there are more than 829,000 unemployed.

Interest rates on most types of loans and overdrafts have been reduced by one percentage point and tariffs on imports of various luxury goods have been raised by 20 per cent. These measures are seen as mainly psychological, as the prime rate remains at 23.5 per cent while the import cut mainly affects 50 consumer products.

The overall effect of the package will be to boost domestic credit growth to an annual rate of 43.3 per cent, partly through liberalisation of bank lending and partly through the Government's abandonment of its commitment to a balanced budget.

About 75,000 new jobs are expected to be created by the end of the year, holding unemployment to no more than 8.5 per cent of the workforce. This will still be higher than the jobless figure forecast last January when the South Korean won was devalued by 15.5 per cent.

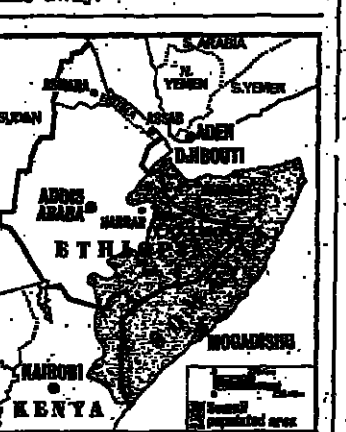
The Government has decided to maintain concessional export credits at the present level of 12 per cent, at least until the end of the year, dropping a plan to raise the rate to 15 per cent at mid-year.

Although the measures are aimed mainly at the domestic sector, the overall effects are expected to add about \$214m to the current account deficit, taking it to an estimated \$2,350m-\$2,570m for the full year.

## Three die in harbour fire

THREE people were killed and more than a hundred injured when a fire and a series of explosions swept across Port Klang, Malaysia's biggest port, early yesterday, Wong Sulong, reports from Kuala Lumpur.

Six warehouses, storing chemicals, fertilisers, rubber, palm oil and paint, were destroyed and damage was estimated at more than 20m ringgits (\$3.6m). The south port area has been closed. Indefinitely and traffic is being diverted to the north port, a mile away.



Despite heavy Soviet involvement in Ethiopia, the U.S. is reluctant to become involved on the Somali side. Negotiations for the U.S. to take over the former Russian naval and air force base at Berbera as part of its plan to increase its presence in the Indian Ocean have been delayed because of the gap between Somalia's request for \$10m (\$428m) in economic and military aid over five years and the U.S. offer of \$40m.

## Carter faces Democratic revolt on oil import veto

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT CARTER'S deeply unpopular oil import fee plan appeared doomed yesterday, as the U.S. Congress completed moves to block it going into effect.

The President has committed himself to using his veto power to ignore the Congressional action, arguing that the import fee is vital to curb foreign oil purchases.

But the size of the votes against him—376 to 30 in the House of Representatives and 73 to 16 in the Senate, indicate that Congress will succeed in getting the necessary two-thirds majority to override him.

It would be the first time in the whole of President Carter's White House term that he might have a veto overturned. Congress rebuffed a similar veto for the President in the week in which he finally won enough Democratic party delegates to carry the election. In the Congress, both the House and Senate have objected to the President seeking to pass on the import fee.

Senator Edward Kennedy's refusal so far to concede victory to Mr. Carter, is evidence of the lack of party unity behind the President.

Mr. Carter has by the Constitution, 10 days within which to act on the Congressional blocking resolution on the import fee. He is, however, expected to act much sooner than that, because the resolution is attached to a temporary extension of the Federal Government's borrowing power.

Three months ago, Mr. Carter proposed the \$4.62 a barrel fee on imported oil, mainly to cut purchases of foreign oil by an estimated 100,000 barrels a day and partly to raise revenue by more than \$100m to plug the 1980-81 budget into surplus.

However, quite apart from the political opposition in Congress to the plan, the fee is under challenge in the courts and has not been put into effect. Both the courts and Congress have objected to the President seeking to pass on the import fee.

Mr. Carter has accused Congressional leaders of "political cowardice" in first backing the oil fee when joint Administration-Congressional negotiations on economic policy took place in March, and then backing away from it because of the approach of the November elections.

Mr. "Tip" O'Neill, Speaker of the House, and one of the few Capitol Hill leaders to stick with the President on this issue, said yesterday that the expected Carter veto would at least "show our European allies the will of the President in that he is doing everything he can for energy conservation."

Energy conservation will be discussed between Mr. Carter and major European leaders at the forthcoming Venice economic summit. OPEC oil producers are also due to meet next week. Mr. O'Neill said "The OPEC countries may increase the price of oil 20 per cent in the next 60 to 90 days."

Editorial comment: Page 22

## Emergency declared in Transkei

BY QUENTIN PEEL IN JOHANNESBURG

A STATE of emergency was declared yesterday in Transkei, South Africa's first independent tribal homeland, because of a boycott of classes and disturbances by school pupils and college students.

The announcement coincided with a reported decision by coloured (mixed-race) pupils in Cape Town to call off their long-running schools boycott, which has since spread to all parts of South Africa.

The Transkei proclamation, issued by President Kaiser Matanzima and his brother, Chief George Matanzima, the Prime Minister, follows sporadic unrest at schools, and the closure of a teacher training college.

Disturbances continued in several parts of South Africa yesterday, including Durban,

where many Indian high schools have been affected by the boycott.

However in Cape Town the Committee of 81 students and school pupils co-ordinating the boycott there was reported to have agreed in principle to call it off from next Monday. The students were said to have decided to abandon their protest against "inferior education" because they believed it was not achieving anything.

Meanwhile a remarkable parliamentary gaffe by a South African Cabinet Minister seems likely to undermine the latest efforts by Mr. P. W. Botha, the Prime Minister, to bring other population groups into South Africa's hitherto all-white constitutional process.

There was shock and embarrassment within the

ruling National Party leadership over the statement by Mr. Bessie Smit, the Minister of Posts, who said that Africans were not being allowed into a new multi-racial President's Council because their "thought processes" were too slow.

His remark brought angry reaction from a number of black leaders, who condemned both the Minister's remarks and the proposed council.

Chief Gatsiba Buthezi, Chief Minister of the KwaZulu homeland, said that anyone who had participated in the President's Council would be seen as endorsing Mr. Smit's views. Similar reaction came from coloured and Indian leaders, who have already expressed considerable reservations about the exclusion of blacks from the proposed body.

## Poor turn-out for Tehran march

BY ANDREW WHITLEY IN TEHRAN

PLANNED DEMONSTRATIONS in Tehran and in Iran's provincial cities to mark the seventeenth anniversary of an abortive uprising led by Ayatollah Khomeini against the former Shah, flopped yesterday when turn-outs were much lower than expected.

Participation in the capital's event was limited largely to members of the big bazaar community and clergy-led contingents from the poorer districts of east and south Tehran. Left-wingers, radical Moslem groups and middle-class Iranians stayed away to enjoy the public holiday at home.

There was a more impressive show in Isfahan, a stronghold of Islamic militancy, where delegates attending an international conference on the United States role in Iran were taken to watch.

The four-day conference was due to end last night with an agreed statement. Some 300 delegates from 54 countries, most of them unofficial representatives, attended.

The unexpected arrival of a ten-man delegation from the U.S., led by Mr. Ramsey Clark, a former Attorney General, boosted the conference's credibility. The purpose of the meet-

ing was made clear in Ayatollah Khomeini's opening message, in which he hoped the result would be "the condemnation of the oppressor" (the U.S.).

Several speakers, including Mr. Clark and Mr. Bertolotti, Vincenzo, head of the Italian Confederation of Workers, called for the immediate release of the U.S. hostages held in Tehran.

The U.S. delegation, which travelled in defiance of the State Department's wishes, held separate meetings with President, Abol Hassan Bani-Sadr, and Mr. Sadeq Qubadeh, the Foreign Minister.

## Ethiopia poised for another Ogaden drive

BY JAMES BUXTON

ETHIOPIA is reinforcing its troops in the Somali-populated Ogaden region in the south-east of the country and is taking delivery of extra Soviet military equipment suitable for counter-insurgency.

Western intelligence officials believe that the Ethiopians are preparing a major campaign to defeat Somali guerrillas in the Ogaden. But Western diplomats in Ethiopia are sceptical about Somali claims that Ethiopia is trying to achieve a "final solution" by exterminating or driving out Somalis from its territories.

The guerrilla fighting coincides with drought and famine affecting 5m people in the Ogaden and other parts of Ethiopia, as well as thousands more in Somalia, southern Sudan, northern Uganda, and northern Kenya. Some 1,500 refugees are said to be crossing

each day from the Ogaden into Somalia and more than 600,000 people are reported to be in refugee camps there.

The Ogaden is semi-arid and almost entirely populated by nomadic Somali herders. Fighting there has not ceased since Somalia's defeat by Cuban and Ethiopian troops using mainly Russian equipment in the 1977-78 war. It has intensified in the past six months.

The Western Somalia Liberation Front guerrillas are believed to have been strengthened by regular troops officially "on leave" from the Somali army. Ethiopian and Cuban garrisons, the latter numbering more than 10,000, have been confined to the main settlements, only occasionally journeying between them in heavily protected convoys. The WSLF often claims to have inflicted heavy casualties on

them in battles with mines. Partly in retaliation, Ethiopian aircraft have occasionally bombed towns and villages in Somalia itself.

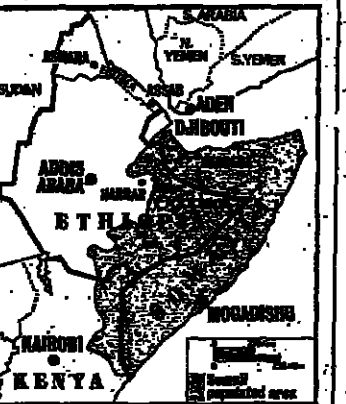
Ethiopia is now reported to be re-deploying troops from its northern province of Eritrea, where there has been a lull in the bitter guerrilla war. The Ethiopians are also said to be taking delivery of what is called "abnormally high" quantities of Russian arms, suitable for air and ground attacks on guerrillas.

Because of virtual drought since 1978, pasture in the Ogaden has disappeared and herds of animals have been dying. At Imi on the Wabi Shebelle river at the heart of the region, relief officials say only 1,250 sheep and goats remain alive out of flocks of 650,000. An Oxfam official

counted 1,000 cattle carcasses on a 20-mile drive out of Jijiga, near the northern Somali border.

In the Somali refugee camps, nomads claim that Ethiopians and Cuban troops are encouraging the exodus by machine-gunning herds, poisoning wells and destroying crops. Yet from Ethiopia come tales of Somali forces "shepherding" whole Somali communities across the border against their will, preventing them from returning and forcing the menfolk to join the guerrillas.

Somali merchants are allegedly being forbidden to trade badly needed butter oil across the border with Ethiopia. Critics of President Siad Barre's regime suggest that Somalia is deliberately increasing the number of refugees and stepping up the fighting as a diversion from political difficulties at home.



Despite heavy Soviet involvement in Ethiopia, the U.S. is reluctant to become involved on the Somali side. Negotiations for the U.S. to take over the former Russian naval and air force base at Berbera as part of its plan to increase its presence in the Indian Ocean have been delayed because of the gap between Somalia's request for \$10m (\$428m) in economic and military aid over five years and the U.S. offer of \$40m.

## 'Breakthrough' claim for electric car

BY IAN HARGREAVES IN NEW YORK

GULF AND WESTERN Industries, the New York conglomerate, yesterday unveiled an electric power unit for cars and trucks which it believes will put 54m electric vehicles on U.S. roads by the year 2000.

Mr. Jim Judelson, the company president, who is an engineer, hailed the super-battery system as "a major achievement in the world of high technology and one of the most meaningful developments in technology since the turn of the century."

These bold claims, in an industry littered with disappointed expectations, have so far been tested in a Volkswagen car and a Japanese van.

The VW Rabbit, known in Europe as the Golf, has demonstrated a range of 150 miles at 55 mph (the legal limit in the U.S.). Its claimed acceleration is 0 to 30 mph in 9.8 seconds. Range and speed have been a crucial limitation on previous electric vehicle prototypes and even the Gulf and Western vehicle is conceived only as a second car for the two-car family.

The company claims to have swept away a number of critical handicaps in the development of what is fundamentally a series of interconnected zinc-chloride batteries.

Among the claims made for the power system are: that it can be fully recharged within six to eight hours; overnight in a garage; it is almost one-quarter the weight of a comparable lead acid battery; its energy density is four times greater than rival lead acid systems, meaning it can provide up to four times the watt-hours per pound of lead acid batteries.

It is virtually fail-safe in that its graphite plates are not subject to deterioration and because its multiple cell structure would permit a "single cell failure with negligible loss of power." G and W says it has tested the system without any failure over an equivalent of 200,000 miles.

The technology, one of six main battery systems being researched in the world, stemmed initially from G and W's activities as a zinc producer and later from its work on energy storage systems.

Mr. Judelson said G and W planned to open a full-scale production facility for the power system in 1983-84. So far, G and W has spent \$16m on the project on top of \$27m committed by the Government and research agencies.

## Argentina helps to reschedule Bolivia debt

By Hugh O'Shaughnessy

THE ARGENTINE Central Bank is helping Bolivia with its current international financial problems but, despite the new rapprochement with Brazil, Argentina does not intend to assist the Brazilian authorities with their balance of payments difficulties.

This was stated in London yesterday by members of the Argentine economic mission at present touring Western Europe.

Mr. Francisco Soldati, a director of the central bank, disclosed that, at the suggestion of the International Monetary Fund and the invitation of the Bolivian Government, the Argentine mission was helping Bolivia with its negotiations to secure a rescheduling of its foreign debt.

This stood at \$3.6bn last June. The total of export absorbed by debt servicing this year is 40 per cent compared with 29 per cent in 1978.

Bolivian imports doubled in 1978 and 1979 and oil production, which had given Bolivia a minor boom in the early 1970s, fell away last year. The outlook for the Bolivian's major export is uncertain.

Mr. Soldati indicated that Bolivia was seeking between \$150m and \$200m to meet this year's maturities. Bankers, however, feel the country will need an overall sum well in excess of this.

Mr. Soldati, backed by Mr. Federico Damaz, who is in charge of foreign investment at the treasury ministry, was adamant that Argentina would not be coming to the aid of Brazil, the size and servicing of whose foreign debt is causing some anxiety at present. "That is their problem," Mr. Soldati commented.

Reuter reports from La Paz: Three bomb blasts rocked Santa Cruz, Bolivia's second city, yesterday, as tension over the civilian Government and the armed forces continued to rise, following the decision of the Congress to put Gen. Banzer, the former military strongman, on trial.

## Solomon backs NY free banking zone

BY DAVID LASCELLES IN NEW YORK

WALL STREET has been encouraged by a statement by Mr. Anthony Solomon, the new president of the New York Federal Reserve, that he favours the establishment of a free banking zone to attract more international banking business to the U.S. and give Washington a bigger say in controlling the Euro-markets.

Mr. Solomon did not specifically say he thought the zone should be established in New York, but his views are the first indication yet of high-level thinking within the Federal Reserve system, though they have not been endorsed by the Fed Board itself.

Mr. John Jorell, vice-chairman of Manufacturers Hanover, the New York bank which has spearheaded moves to get the zone established, said he thought Mr. Solomon's statement marked something of a breakthrough at the Federal level, and was "most positive."

Addressing the annual meeting of the New York Bankers Association earlier this week, Mr. Solomon said: "The proposed international banking facility is consistent with the national interests of the U.S. and could strengthen our hand in international discussions of how offshore markets should be treated."

Mr. Solomon based his views on the argument that foreign banks still have a competitive advantage over domestic banks in the U.S. markets because of loopholes in the regulations. But this could be evened out in a zone free of the Fed's reserve requirements, state taxes, and interest rate ceilings.

But he said, he would prefer to see a return of Eurodollar business to the U.S. and foreign-based deposit and loan business serviced from the U.S.

The Federal Reserve in Washington has still to comment on the proposal.

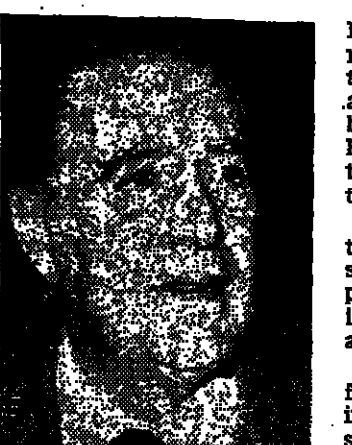
## Doreen Gillespie reports on the new President leading Peru back to democracy

## Economic doubts as Belaunde arrives

CRITICS of Peru's first civilian president in 12 years complain that Sr. Fernando Belaunde is a long-winded speaker who slips a geography lesson into every speech. He will talk fondly of a highway in the jungle which he started during his first presidency, or mining camps high in the Andes or irrigation for coastal deserts.

He is a great traveller who knows and loves Peru's varied territory. But he is one of few people to whom decentralisation is not just a catchword in a country where the bulk of industry and business is in Lima, the capital.

An architect and a university professor, who has been active in politics since he was elected to Congress in 1940, Sr. Belaunde started travelling by canoe, barge and donkey in the Peruvian backwoods before he launched his first presidential campaign in 1956. Despite a strong showing he did not become President until a third attempt in 1963, only to be ousted by the armed forces towards the end of his term in October, 1968.



Sr. Fernando Belaunde Terry

Architect Belaunde, as he is known—Latin Americans often use professions as titles—has made his comeback at the age of 67, largely on the strength of his personal prestige. Although his presidential term ended in disaster, he came away with a reputation for idealism and honesty.

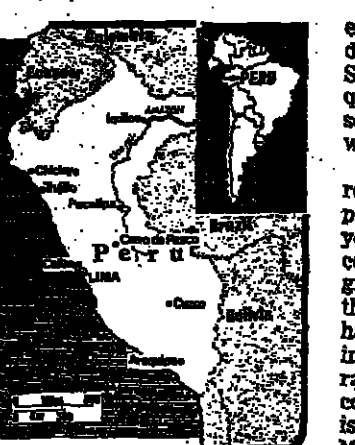
When he takes office on July 28, he will attempt to introduce an ambitious social programme.

He has promised to create a million new jobs over the next two years, both to improve agricultural production, which has dropped sharply over the last 12 years, and to improve the standard of living among the 17m population.

Sr. Belaunde intends to maintain Peru's position as a self-sufficient oil producer, and to promote small-scale projects in irrigation, transport, marketing and co-operative purchasing.

Once a fiery politician who fought a duel with an opponent in his youth, Sr. Belaunde is now seen as a Centrist senior statesman able to attract support from most of the political spectrum. But opponents still doubt his ability to hold the country together, and to maintain the economic stability achieved in the last two years by the military government.

At the moment Peru is poised for a rapid economic recovery following the discovery of large quantities of oil, which have considerably eased the balance of payments crisis of the mid 1970s. The Govern-



Peru

ment reinforced this trend with unpopular economic measures which included the elimination of food subsidies and tight restrictions on wages and public spending.

The outgoing head of the central bank, Dr. Manuel Moreyra, is one who warns that any attempt by the new president to reflate the economy, quickly will negate many of the gains of the last couple of years. Dr. Moreyra said the military

economy which was ready for democracy, and that he hoped Sr. Belaunde would not be too quick to dismantle his predecessor's policies.

Peru's net international reserves are nearing \$1bn compared to debt of \$1.3bn two years ago. From a period of contraction, the economy is growing 5 per cent a year. Realistic interest rates and exchange rates have ensured that the country is saving more than it is spending, according to Dr. Moreyra.

High mineral prices have also helped give Peru a trade surplus of \$1.4bn last year, with similar prospects for 1980.

Foreign debt has been reduced, debt service is 35 per cent of export revenue, and Peru has regained a good credit rating, Dr. Moreyra said. Inflation is still a problem. Prices rose 74 per cent in 1978 and 68 per cent last year. The present government expects it to drop to 50 per cent by the end of this year.



ENERGY REVIEW: CHINA

BY TONY WALKER IN PEKING

# Offshore oil revolution in the 1980s

CHINA, despite territorial disputes with several of its neighbours, including Japan, over offshore areas believed to be rich in oil, is pressing ahead with an ambitious survey and exploration programme which could see the beginning of large-scale offshore oil production by the mid- to late-1980s.

Last week it was announced that two French companies—Société Nationale Elf Aquitaine and Total—had signed joint exploration and development agreements with China's Petroleum Corporation for leases in the Bohai Gulf. These are just two of a number of agreements the Chinese are negotiating with foreign corporations and governments for offshore oil development.

In Tokyo last week during the visit by China's Premier, Hu Guofeng, a joint venture agreement was concluded for prospecting and exploitation of areas of the Bohai Gulf by the Japanese National Oil Company and the China Oil and Natural Gas Exploration and Exploitation Company.

The signing of the agreement makes it clear that Peking is not allowing its dispute with Tokyo over areas of the East China Sea to affect development plans, in spite of a stern editorial in the Communist Party newspaper, People's Daily, last month. This accused Japan of "turning a deaf ear" to Chinese protests about Japanese and South Korean plans to test drill in an area China regards as part of its continental shelf.

Japan and South Korea signed an agreement in 1974 to designate certain areas of the East China Sea "joint development zones" and have announced they will soon begin full-scale exploration.

It is also rumoured that China is setting up a new "super" energy ministry under Yu Qili, head of the State Planning Commission and one of China's most respected administrators, to oversee the development of the country's energy resources. It was Mr. Yu, then in charge of the Petroleum Industry Ministry, who oversaw the construction in the late 1950s and early 1960s of Daqing oilfield in China's north-east which now provides between 40-50 per cent of the country's needs.

One of the main tasks of the new ministry would be to ensure that China reaps the maximum benefit from agreements reached to exploit its extensive reserves. Estimates vary widely as to how much oil China has both offshore and onshore, but according to U.S. Central Intelligence Agency forecasts, based on scanty evidence, reserves amount to about 40bn barrels onshore and a similar amount offshore. Shale oil reserves are said to be considerable. Most experts agree, however, that predictions commonplace in the mid-1970s that China would be the next oil giant were at best premature.

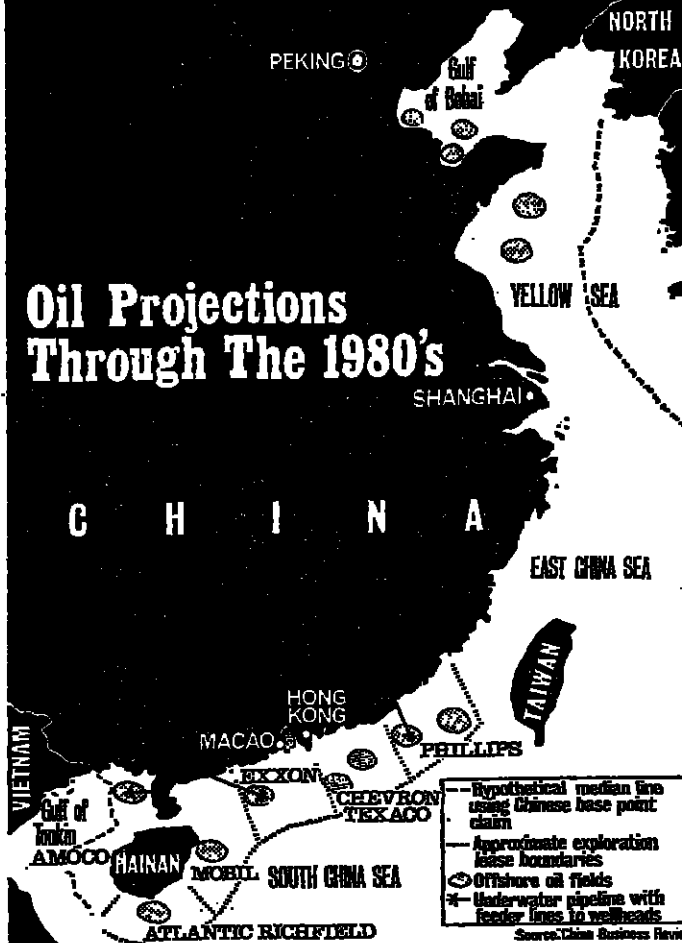
The January-February edition of China Business Review, the publication of the National Council for U.S.-China trade, forecast that by 1990, China could be exporting 50m metric tons of oil per year, which could pay for around 28 per cent of projected imports. This forecast compares with the figure today of about 12m tons paying for 18 per cent of imports.

The main constraint on China's oil imports is rapidly rising demand, which is expected to limit future exports to around 10-12 per cent of total onshore production, the magazine says. "With onshore production faltering due to the depletion of the Daqing oilfield, and modest results to date from new field in Hebei province and regions further inland, the outlook is for slow growth of oil output in the next few years."

This analysis makes it doubly imperative that China gets on with the job of exploiting its offshore reserves. China Business Review says that if China can hold the export share of onshore production steady at 12 per cent, exports could achieve 15m metric tons by 1984.

Beginning in 1985, however, the start up of offshore production could significantly boost exports by approximately 20 per cent per year to 50m tons by 1990.

"Given these conservative



estimates," the magazine says, "China's oil revenues could approach U.S.\$16bn in current terms by 1990, a sum equivalent to 23 per cent of China's projected imports in that year. With present oil exports accounting for only 13 per cent of the value of China's total imports, this increase will represent a substantial and probably critical, contribution to China's modernisation programme."

While China Business Review describes these estimates as "conservative," they are, nevertheless, based on reasonably ambitious predictions regarding the speed at which China can be expected to get on with allocating exploration leases and concluding production contracts.

A number of foreign corporations are in the process of completing seismic surveys over vast areas of coastline, stretching from Bohai Gulf in the North to the Gulf of Tonkin and the South China Sea. The surveys are expected to be completed within the next few months and China has indicated it will open up one-third of the surveyed area in the second half of the year for competitive

western sections of the Gulf. The agreement reached by Total and Elf Aquitaine extends over 10,000 square miles in the Northern Bohai. Under the terms of the agreement, the French companies will pay 49 per cent of exploration and development costs and take a share of production.

The Yellow Sea, which the Chinese have divided between British and French operators. Elf Aquitaine is at the head of a group of companies surveying 30,000 square miles of the Yellow Sea stretching out from the Shandong peninsula while BP is surveying about 15,000 square miles of the Yellow Sea north of Shanghai.

The South China Sea where American companies have signed agreements to conduct surveys in six concession areas. Operators for these concessions are Phillips, Chevron, Texaco, Exxon, Mobil, Atlantic Richfield and Amoco.

At least 30 companies are participating in the seismic shootings in the eight concession areas spread across the Yellow and South China Seas. Some companies and government-run corporations, notably JNOC, are participating in more than one of the surveys.

A complicating factor so far as survey work in the South China Sea and Gulf of Tonkin is concerned is the territorial dispute between China and Vietnam. China has granted concessions for survey work in a number of areas claimed by Vietnam. The Vietnamese, for their part, have signed exploration contracts for oil searches in areas claimed by China.

Peking is locked in a particularly bitter dispute with Hanoi over the Paracel and Spratly Islands in the South China Sea, made all the more intense by China's recent discovery of oil in the Paracels.

As already mentioned, China has run into problems maintaining a surplus for export. This is despite persistent (and often confusing) reports of new discoveries or expanded estimates of reserves at existing fields.

In 1979 production of crude slowed dramatically after years of solid increases—in the order of 20 per cent over the decade ending in 1977. The Chinese have responded to reports that production is running down at Daqing by making much of the field's potential, revealing in a New China News Agency despatch in April that a number of new deposits had been discovered on the fringes of the field.

Other major Chinese onshore fields are the Shengli oilfield on the East China coast and the Rengjiu oilfield in Central Hebei province.

The slowdown in production and higher than expected domestic consumption is causing the Chinese problems meeting commitments to overseas purchasers, notably the Japanese. In an effort to keep about 12 per cent of production for export, China has sought to limit domestic consumption by switching oil-fired generators back to coal.

Authorities have also introduced rigorous conservation measures. While production may have slowed, the price of oil has continued to rise dramatically, more than compensating for reduced growth. In 1979 China started the year charging Japan U.S.\$13.90 a barrel and finished up selling it to Japan at U.S.\$26.00 per barrel in line with OPEC rises. The price to "friendship" customers such as Thailand was \$23.65 a barrel, up from \$11.40 in the first quarter of the year.

## Methodical

China is also seeking to sell more refined products on the spot market and in this appears to be having some success. Unlike some areas of activity in which they are involved, the Chinese, in their oil development plans, appear to be tackling the business in a methodical fashion.

Last month it was announced that preliminary agreement had been reached with the Hughes tool company to build a factory in Sichuan province to manufacture drill bits for the oil industry. According to a brief New China News Agency announcement the plant will cost about U.S.\$250m and take several years to construct.

China is also preparing at least one of its coastal cities for a big influx of foreign oilmen. At Zhanjiang in South East China, work is already in progress to develop the port as a supply base for exploration and development in the South China Sea and the Gulf of Tonkin.

All this, of course, costs money. Oil industry experts estimate that it will cost about U.S.\$10bn to bring China's production both onshore and offshore up from 108m tons to 200m tons.

On the present world price there is every prospect of a splendid return for the investment costs of oil exploration and bringing on stream—if the oil is there is reasonable quantities.



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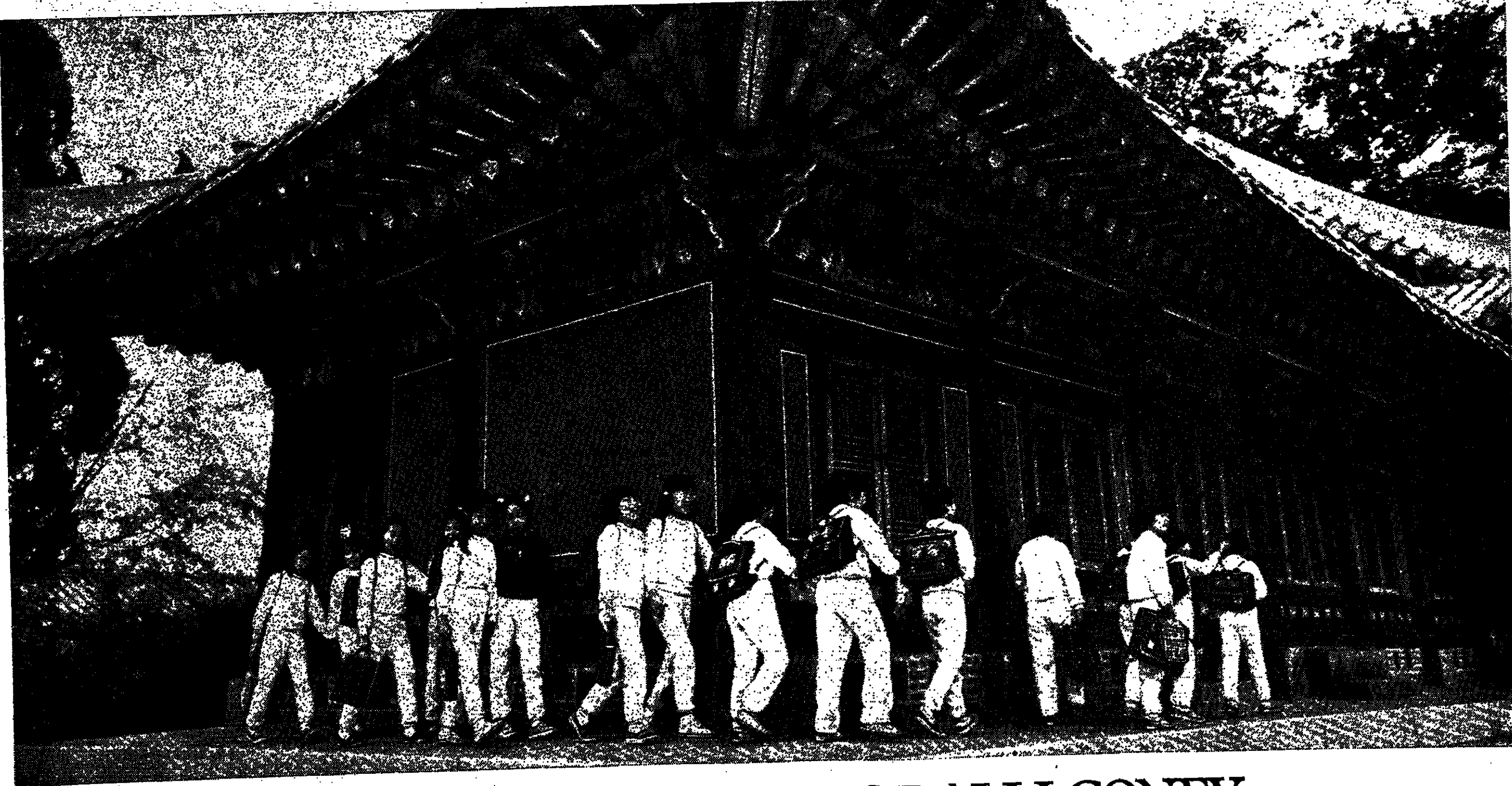
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## WORLD TRADE NEWS

## Nigerians stick to tough line on oil groups with SA ties

BY MARK WEBSTER

THE NIGERIAN Government has issued its stark warning to date that it will take the same tough line as the previous military regime over oil companies dealing with South Africa.

Mr. Akporode Clark, the country's delegate to the UN, threatened in Wednesday's Security Council meeting that Nigeria would seize any vessel entering its waters known to have carried oil or arms to South Africa.

President Shehu Shagari, Nigeria's head of state, has made it clear since he came to power eight months ago that there will be no change to the military's tough line on companies which did business with South Africa.

But his administration had been expected to take a more pragmatic stand than the military regime, which had nationalised British Petroleum's interests in Nigeria because of the nature of the company's dealings with the Republic.

Britain is in a particularly sensitive position in Nigeria because of its high profile both as the former colonial power and the biggest trading partner with the country.

The UK runs a substantial

trade surplus with Nigeria and in 1977-78 sold more than £1bn worth of goods to the country. Although trade fell last year, reflecting the poor performance of the Nigerian economy and measures taken against British companies, trade could again top the £1bn mark this year.

Britain's important links with South Africa therefore make it a perfect target for retaliatory measures by the Nigerian Government if it should choose to make a dramatic gesture similar to the BP move.

BP's loss of its 20 per cent interest in the joint operating company Shell-BP came after a South African-owned tanker, the Kulu, which had been chartered by BP, called at a Nigerian port.

The Nigerians were already incensed by that when the UK Government agreed to let BP sell more oil to Europe from the North Sea, so releasing non-embargoed oil from other countries for sale to South Africa.

At the time of the nationalisation, on the eve of the Commonwealth Conference in Lusaka, Nigeria described the Government decision as a "thinly disguised plot" to sell Nigerian crude to the Republic—a charge strongly refuted by BP.

## Hunting for trade in francophone Africa

BY MARK WEBSTER

"IF THE FRANC ZONE is a French 'chasse gardée' then we will have to do some poaching," a British trade official said recently.

His fighting words refer to that grouping of former French colonial nations in Central and West Africa that have become known as a private hunting preserve—a chasse gardée—for French interests because of their almost unchallenged domination of traditional export markets within the zone.

Businessmen blame their lack of success on the language problem, the poor communications with any European capital but Paris, and the relative strength of French goods throughout the zone. But they also point out that the operations of the franc zone—especially the guaranteed parity between the French franc and the local currency—makes trade with France a much more straightforward proposition.

Nonetheless, businessmen have also reported signs of a marked willingness among franc zone member nations to diversify their trading partners and encourage investment from other nations. It is a market businessmen are anxious to penetrate because of the comparative success of such economies as Cameroon, Gabon and, although it is now experiencing difficulties, Ivory Coast.

As a sign of the growing interest in the franc zone by British companies, the London Chamber of Commerce yesterday held a conference called Passport to Francophone Africa.

The meeting dealt with ways of entering the fast-expanding market in francophone Africa and the difficulties which might be encountered.

There are 12 African countries in the franc zone, 11 of which are members of the two big groupings in West and Central Africa. The twelfth, Mali, has a separate agreement with France under which its central bank is jointly managed. Although the agreements between France and the two big groupings vary slightly, they operate on the same principles.

The West African Monetary Union (UMOA) comprises the Ivory Coast, Senegal, Togo, Benin, Niger and Upper Volta. They have a joint central bank based in Dakar, Senegal.

The Customs Union of Central African States (UDEAC) is made up of Cameroon, Gabon, Chad, the Congo and the Central African Republic, and its central bank is sited in Douala, Cameroon.

Although both zones have been in operation since before independence, they have significantly altered their relationship with France with the signing of new treaties in 1972 and 1973. Following those treaties, the headquarters of the groupings were moved from Paris to Africa, and the French representation on the governing boards was reduced.

Under the treaties, the members agree common monetary

policies at regular meetings allowing individual countries a ceiling on credits from their central banks appropriate to their needs. They pool all their foreign exchange reserves and permit their partner countries to go on drawing as long as they have a safe level of reserves.

the zones have followed a policy of living within their means. The West African zone, for instance, tries to maintain reserves giving about three months import cover for all member countries, although this is now down to around two months.

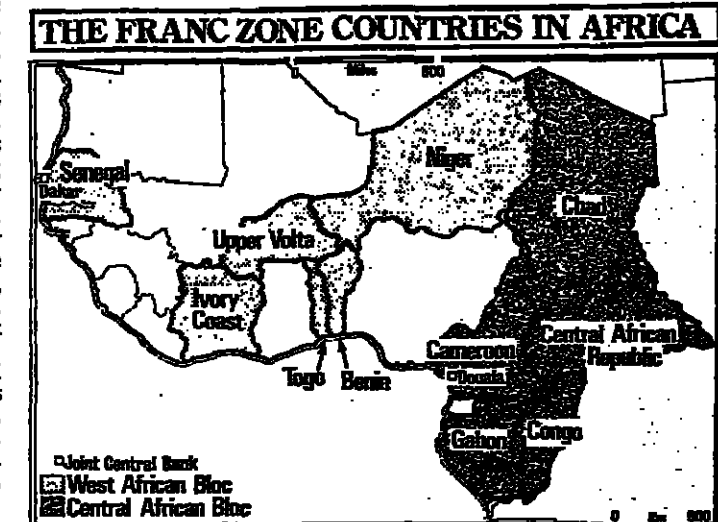
foreign exchange when they are in surplus. But they also have unlimited overdraft facilities when they need them.

The benefits for the zone countries are clear. They have a stable currency, a central bank which cannot answer to whims of any one government which demands more credit than is considered wise, and the policy of free transfers has made them attractive to outside investors.

France's main benefit is trade. France exported FFfr 20.3bn (£2.1bn) to the franc zone countries in 1979 while it imported some FFfr 13.5bn (£1.4bn) from them. The healthy trade surplus has been a characteristic since the zone was founded, and French business has taken advantage of the stable conditions in the countries and the free transfers.

But there is also the controversial aspect of how much political influence the zone gives the French. The zone has been attacked as an example of neo-colonialism by some other African states, though, in private, they may envy the stability of the zone's member economies.

France strongly denies such claims, but, nevertheless, reinforces its strong ties with the member countries by giving them some 75 per cent of its total foreign aid. Diplomats say this fact naturally gives France a strong say in the country's affairs.



They also allow free transfers both within the zone and outside.

The rules on free transfers make the zone countries particularly attractive to exporters because the zone currency—the Communauté Financière Africaine—CFA franc is fully convertible.

In the past, France has rarely been called on to provide backing for its own reserves because

But the poor performance of the Ivory Coast's economy, traditionally the strong man of the group, makes it certain that France will have to allow the zone to become overdrawn on the operations account which the central banks each have with the French Treasury. Into that account they must pay a high percentage (65 per cent in West Africa and 80 per cent for Central Africa) of all their

## Japanese plan VHD deal in U.S.

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

MATSUSHITA ELECTRIC confirmed yesterday that it has had talks with General Electric of the U.S. on joint promotion and manufacture of the VHD system for video disc players.

If the talks are successful, Matsushita will make an arrangement with GE similar to that announced in April between the Victor Company of Japan the originator of the VHD system and Thorn EMI.

The tie-up with GE would give the VHD system its first foothold in the U.S. market, just as the Victor-Thorn agreement opened the door to the British and European markets.

The VHD (video high density

disc) system is one of three competing formulas in the video disc market. The other two, both in a more advanced stage of readiness for the market than VHD, are the optical system developed by Philips and the stylus system pioneered by RCA.

The Philips system is already on sale in some parts of the U.S., while the RCA formula should go on sale early next year. Matsushita said yesterday that it hoped to have VHD formula equipment on sale in the U.S. by Christmas, 1981.

The partnership between Matsushita and Victor in developing and promoting the VHD

system has followed a similar course to the same two companies' collaboration in video tape recorders. Victor, a 51 per cent-owned subsidiary of Matsushita, developed the VHS formula for video tape recorders which was then taken up by its parent.

Matsushita signed agreements with a number of U.S. electrical companies for joint sales or manufacture of the VHS system.

An important difference between the history of the VHS system and that of the VHD so far is that production tie-ups with foreign companies seem to be preceding the spread of the system inside Japan.

## Swiss edict on trade with Iran

BY BRIJ KHANDARIA IN GENEVA

THE SWISS Government has sent a letter to industrialists asking them to "respect the normal framework" in business deals with Iran in sectors affected by trade embargoes imposed by the U.S. and the EEC.

The aim is to avoid taking advantage of any gaps created by the embargoes. The letter, sent on Wednesday by Mr. Paul Jolles, director of the Federal Foreign Trade Office, condemns the taking of hostages by Iran but adds that Switzerland cannot

not join the trade embargoes because of its policy of political neutrality.

One result of this policy is that Swiss embassies often provide communication links between hostile Governments and Switzerland is at present handling U.S. affairs in Iran.

Representatives of Swiss industry saw the letter as a formality aimed at alleviating fears of U.S. companies forced to end dealings with Iran. These representatives do not expect

any major openings in Iranian markets because they think the EEC's embargo will not have much effect.

The present Iranian Government has so far not threatened Swiss oil supplies, but is displeased because of Switzerland's refusal to investigate the Shah's wealth. The Iranians claim that the Shah placed more than \$20bn (£2.6bn) in cash, gold and jewellery in Swiss banks in the last days of his rule.

## Turkey sets up new debt repayment programme

By Metin Munir in Ankara

THE TURKISH Government has announced a new programme for liquidating debts to foreign suppliers of about \$1.8bn (£774m).

The programme cancels the original version, introduced by the free enterprise Süleyman Demirel Government more than four months ago.

Drafted in the light of criticism and recommendations from the suppliers, the programme is likely to be final as the Turkish authorities have incorporated every recommendation found to be feasible in view of the sharp economic crisis facing the country.

The programme offers two repayment options. One in Turkish lira and the other in foreign currency.

Those who opt for the foreign currency scheme will accept repayment over 10 years, with the first instalment disbursed at the end of the 54th month. Subsequent payments will be in semi-annual instalments of 7.5 per cent of the total for the first eight and 10 per cent for the rest.

Repayment would be made in five foreign currencies, each carrying a different interest rate: 6 per cent for U.S. dollars, 4 per cent for D-Marks, 8 per cent for sterling, 7 per cent for the French franc and 3 per cent for the Swiss franc.

Repayment in Turkish Lira will be made immediately for debts of up to \$10,000 and in 12 equal two-monthly instalments for sums above this.

The programme indicates fields in which the Turkish lira could be utilised locally, including establishing tourism and trade centres, buying into Turkish companies or making new investments.

A new stipulation in the programme allows suppliers to transfer their outstanding claims to third parties. Debts of up to \$1m can be transferred to foreign banks or financial institutions which would be announced to the Turkish Central Bank. Debtors agreeing to this sum may be transferred to Turkish, foreign or other creditors.

Suppliers should apply to the central bank in writing by August 30, stating which option they choose.

W. & T. Avery, has won a \$160,000 contract from the Yemen Arab Republic to build, install and service seven axle weighers for the North Yemen Highway Authority. The 40-tonne-capacity machines will be sited at the port of Hodeidah and four other stations where they will control vehicle weights to prevent road damage by over-loaded axles.

The equipment will be installed by Weibach Machine Services of Dubai, an Avery

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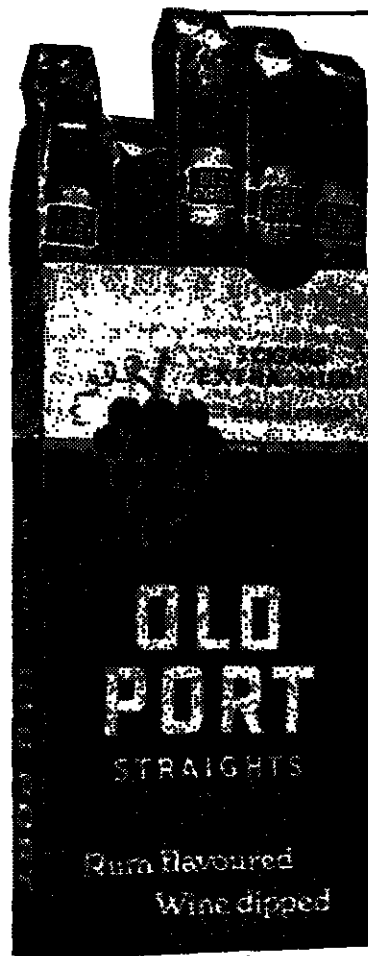
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## World wine production up by 20%

By Gareth Griffiths

WORLD WINE production rose by 20 per cent last year to a record 7.97bn gallons, although the increased harvests led to falling prices and a squeeze on margins.

A UN Food and Agriculture Organisation report just issued in Rome forecast that European Economic Community stocks will grow this year from 1.64bn gallons to 1.91bn. The EEC accounted for much of the increased production, and the surplus is expected to add to the Community's "wine lake" problem.

Production costs rose sharply around the world last year, and profits have declined. The previous production record was set in 1973-74, although the figure was 265m gallons lower than last year.

Figures for vineyard acreage show a shift away from Europe and North Africa to the Americas. The U.S. is emerging as a major wine market. Consumption last year in the main producing countries of France and Italy was down.

## No price rise for Nordic pulp

By William Dunne in Stockholm

THE FINNISH and Swedish pulp manufacturers will keep their prices unchanged during the third quarter of this year.

Finnell, the sales organisation for the Finnish mills, have announced it would maintain a price of \$545 a tonne for the lead quality, bleached sulphate pulp, for deliveries until the end of September.

In Sweden, Stora Kopparberg was the first company to make a similar announcement.

However European paper-makers can expect to pay more for Nordic pulp in the last quarter. Mr. Fitz Frankenhäuser, Finnell's assistant managing director, said if the market remains firm, prices would have to go up in October because the mills needed higher profit margins.

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## PAYE error 'shows need for more income tax staff'

FINANCIAL TIMES REPORTER

THE 27 PER CENT clerical error rate in PAYE income tax assessments shows the clear need for an increase in Inland Revenue staff, says Mr. Tony Christopher, general secretary of the Inland Revenue Staff Federation.

Speaking of disclosures by Sir Lawrence Airey, chairman of the Board of Inland Revenue, of substantial error rates discovered in spot checks in 43 PAYE offices, Mr. Christopher said it was disgraceful that the public was overcharged, and that they should be "up in arms".

The results of the spot checks, if applied to the whole nation, would mean that some taxpayers were overcharged a total of £18m in the 1977-78 tax year while others were undercharged a total of £25m.

Sir Lawrence volunteered the test data to the Commons Public Accounts Committee on Wednesday after a general objection on errors in PAYE accounts.

Asked if he thought Sir Lawrence was trying to make a case for more Revenue staff, Mr. Christopher said he was struck by the fact that in his testimony Sir Lawrence carefully avoided calling for more staff. "We find that quite alarming,"

He thought that Sir Lawrence might have wanted to discredit the PAYE system in the hope of accelerating the Revenue's computerisation programme, and adoption of self-assessment.

"He was just showing that the quality of service has fallen off. We agree."

He objected to Sir Lawrence's suggestion that "mild" industrial action by Inland Revenue staff last year accounted for much of the problem.

"We suspect the majority of errors comes from frequent building society interest rate changes. These are coded into PAYE, and require sophisticated corrections. Many may not have been done."

Public awareness of the error rate would lead more people to seek checks, even if that clogged the system. "The public should be demanding the service it is entitled to."

Mr. Christopher said that the union welcomed computerisation because it wanted the Department to have high technology, offer highly skilled jobs and produce a high-quality service.

He feared that this was the worst time to do it, as staff cuts were being made.

## Go-ahead for nuclear station fuel rods

By Martin Dickson, Energy Correspondent

THE CENTRAL Electricity Generating Board has begun the process of acquiring fuel rods for its first pressurised water reactor (PWR) nuclear power station.

It has issued a letter of intent to British Nuclear Fuels, authorising the company to build the fuel rods for the American-designed station.

The CEGB intends to build the PWR as the first station in a major nuclear expansion programme announced by the Government last December. A choice for future reactor types will then be made between the PWR and its British rival, the Advanced Gas-cooled Reactor (AGR).

Construction work on the PWR was originally planned to start in 1982, but has now slipped to 1983-84.

Westinghouse is supplying the technology for the 1,200 MW station, is expected to be sited at Sizewell, Essex. The CEGB recently instructed the National Nuclear Corporation, which oversees Britain's nuclear construction programme, to start the design and manufacture of the PWR's steam supply system.

## BNOC to name oilfield 'Clyde'

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE British National Oil Corporation has given a name—the Clyde Field—to one of its North Sea discoveries and has announced the first steps towards its development.

Clyde field, which was discovered in June, 1978, lies 200 miles East of Dundee on block 30/17B.

BNOC, operator for the field, said yesterday that it had awarded two contracts for preliminary engineering studies for production facilities there. CJB/Earl and Wright will undertake the basic design of a jacket, or platform structure. Davy McKee (Oil and Chemicals) will carry out basic design work on the production platform's topside facilities.

### Recoverable

The Corporation has said it might submit a development plan to the Government for approval by mid-1981.

Naming the field as "Clyde" is expected to set a precedent for the British National Oil Corporation to name its discoveries after Scottish rivers.

The corporation is already the operator for one producing field, Thistle, and one under development, Beatrice. But Clyde is the first it will have developed from the time of discovery.

Its partners in the field are Esso and Shell.

Clyde is a medium-sized field whose recoverable reserves are estimated by stockbrokers Wood MacKenzie to lie in the 200m to 300m barrels range. Water depth in the area is approximately 260 feet. To date three wells have been drilled on the main geological structure and consideration is being given to the drilling of a further appraisal well this year.

Norwich Union Life Insurance Society was named yesterday as a member of a consortium headed by Marathon Oil which will submit applications for offshore licences in the UK seventh round. This is thought to be the first time that an insurance company has taken a direct investment stake in North Sea exploration.

Two of the large clearing banks—Barclays and National Westminster—announced recently that they intended to join consortia for the seventh round.

Other members of the group for which Marathon will be operator are LMS Energy—a subsidiary of London Merchant Securities—and L.L. and E. (UK)—a subsidiary of Louisiana Land and Exploration.

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## Weir to cut 900 Scottish jobs

By Ray Perman, Scottish Correspondent

WEIR GROUP, the UK's largest pump manufacturer, is to cut its Scottish workforce by 900 in a move to restore its competitiveness.

The group—a major exporter—signalled its distress last month with profits sharply down from £7.6m to £2.1m, and yesterday Mr. Ramsay Spence, managing director of the main operating company, Weir Pumps, was despondent about future prospects.

In common with other engineering firms, the company had entered 1980 facing poor demand and rising costs, he said, but there was no prospect of an improvement in market conditions before the end of 1981.

Most of the redundancies will be at Weir Pumps' plants in Glasgow and Alloa, Clackmannanshire, but 120 are also likely at Weir Westgarth, the specialist subsidiary making desalination equipment.

Mr. Spence blamed particularly the high value of sterling and the effect of inflation on material prices and wages for making the company uncompetitive with overseas rivals.

A £15m investment programme had, however, provided the company with good facilities for production research and product development, he said.

## Granada given leave to appeal against BSC leak ruling

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

GRANADA TELEVISION has won its plea to be allowed to make a final challenge to a court ruling that it must name the British Steel Corporation employee who leaked confidential documents to the World in Action programme.

Three Law Lords decided yesterday that the matter was of such public importance that Granada should be allowed a last appeal. Lord Diplock said the appeal would be heard on July 14 or July 17, depending on the Lords' other business.

Granada was given leave to appeal despite strong opposition from BSC. The corporation's counsel, Mr. Leonard Hoffman, QC, said the case was of considerable urgency for BSC.

It is faced with making important decisions and, at the moment, it is unable to do so. Its high officers are unable to have frank discussions among themselves because they do not know who to trust.

Mr. Hoffman said there had been further leaks within the past two weeks. "Another document was leaked to the Financial Weekly, from whom we have had undertakings as to any further dissemination."

"The question of trying to obtain the identity of the source from them is held up pending your decision," he told the Law Lords.

The documents leaked to Granada formed the basis of a World in Action programme on February 4. They were subsequently returned to BSC but markings that might have enabled their source to be identified were obliterated.

Sir Robert Megarry, the Vice-Chancellor, ruled that Granada had no legal right to protect its informant. His decision was upheld by three Appeal Court judges who said Granada had behaved so irresponsibly that it had forfeited the normal right of the media to protect the sources of their information.

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## Companies' liquidity deteriorates further

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE LIQUIDITY position of companies deteriorated further in the first three months of this year to a level only slightly better than the worst position during the intense squeeze of 1974-75.

This is shown by the Department of Industry's quarterly survey of company liquidity, published today in summary form in British Business, the department's weekly journal. Detailed results will be published next week.

The board conclusion is that the liquidity ratio—the relationship between financial assets such as cash and bank deposits and liabilities such as borrowing—declined to below the levels of the second and third quarters of 1974. The worst of the 1974-75 liquidity squeeze

was at the end of 1974. The deterioration reflects the pressure from squeezed profit margins and the cost of carrying excessive levels of industrial stocks. The general expectation is that liquidity will worsen in the coming months.

A slightly surprising feature of the summary's conclusion is that the liquidity of non-manufacturing companies declined by more than that of manufacturing companies in the first quarter.

The liquidity ratio of non-manufacturing companies fell during the period to its lowest level since the quarterly survey started at the end of 1969. In absolute terms, however, the liquidity ratio of non-manufacturing companies remains significantly higher than that of manufacturing companies.

## Drop in quarterly current account deficit to £417m

BY DAVID MARSH

BRITAIN'S deficit on the current account of the balance of payments narrowed to £417m in the first quarter, seasonally adjusted, from £711m in the fourth quarter of last year and a quarterly average of £580m during the whole of 1979.

The improvement compared with the previous quarter was mainly a result of an increase in the surplus on invisibles from £34m to £306m according to figures from the Central Statistical Office published yesterday.

The visible trade deficit was little changed at £723m, compared with £745m in the fourth quarter last year. However, it was about £100m below the average quarterly deficit for 1979, mainly because of an improvement in the balance of

oil trade. The surplus on invisibles—the sum of transactions in services, interest profits and dividends (ipd) and transfers—was much the same as the quarterly average for the first nine months of last year.

The surplus on services is maintaining its earlier level, but the ipd balance is showing an adverse trend due to the build-up of profits remitted abroad from companies involved in North Sea oil and gas production. The net contribution to the EEC budget was lower in the first quarter than during the 1979 quarters.

The surplus of £1bn on capital account (including unidentified transactions) continued the substantial net inflows that occurred during 1979.

### BALANCE OF PAYMENTS £m

|  | 1977   | 1978   | 1979   | 1979<br>4th qtr. | 1980<br>1st qtr. |
|--|--------|--------|--------|------------------|------------------|
| Seasonally adjusted                                |        |        |        |                  |                  |
| Visible trade (balance)                            | -2,239 | -1,493 | -3,312 | -745             | -723             |
| Invisibles (balance):                              |        |        |        |                  |                  |
| Services   | +2,960 | +3,275 | +3,274 | +876             | +872             |
| Interest, profits and dividends                    | +201   | +1,061 | +153   | -189             | -8               |
| Transfers  | -1,146 | -1,911 | -2,434 | -653             | -558             |
| Total  | +2,015 | +2,425 | +993   | +434             | +306             |
| Current balance                                    | -224   | +932   | -2,319 | -711             | -417             |
| Not seasonally adjusted                            |        |        |        |                  |                  |
| Current balance                                    | -224   | +932   | -2,319 | -516             | -586             |
| Investment and other capital transactions          | +4,406 | -3,199 | +1,779 | -122             | +105             |
| Reserve item                                       | +3,177 | +1,141 | +2,251 | +608             | +679             |
| Balance for official financing                     | +7,361 | -1,126 | +1,711 | -30              | +398             |
| Allocation of Special Drawing Rights               | -      | -      | +195   | -                | +180             |
| Official financing                                 |        |        |        |                  |                  |
| Official reserves (drawings on, + additions to, -) | -9,588 | +2,329 | -1,059 | +116             | -346             |
| Other official financing                           | +2,227 | -1,203 | -947   | -86              | -232             |

Source: Central Statistical Office

## Georgian silver salvers auctioned for £15,000

SOTHEBY'S SOLD a collection of English silver yesterday for £158,900. Some of the best items failed to sell because of high reserves and the bought in percentage was 37.

Top price was the £15,000, plus the 11.5 per cent buyer's

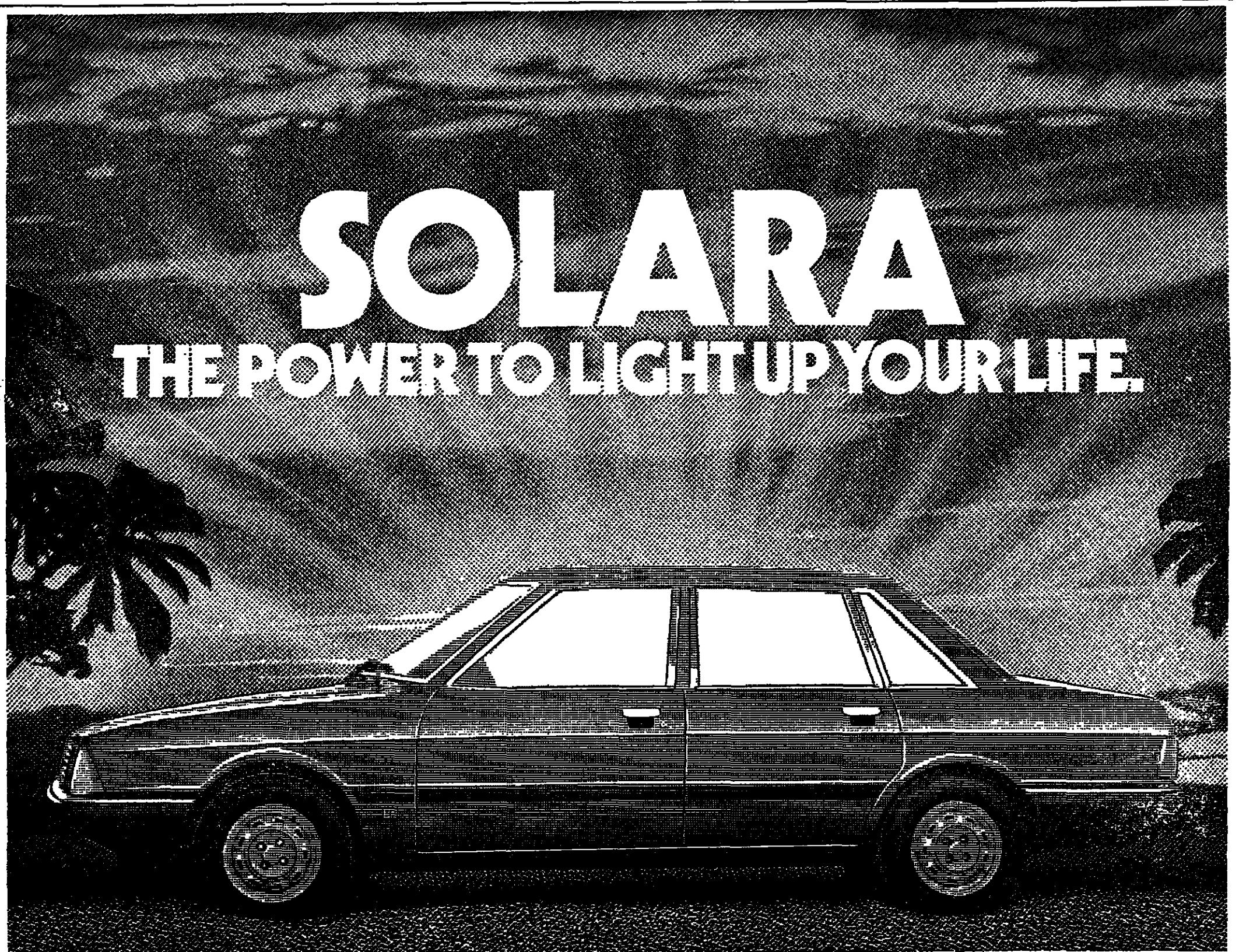
£14,500 to Koopman. An extensive service of table silver made in Queen Anne style in 1885 sold for £9,000 and a pair of William and Mary table candlesticks realised £7,500.

Also at Sotheby's a Kakemon dish of the late 17th century went for £6,200 in an auction of Japanese works of art. A similar dish realised £4,500 last year. A large Arita apothecary's bottle of around 1700 also made

£6,200.

At Christie's oak furniture realised £14,483, Harris for a London dealer, paid £2,700 for a large oak refectory table of the 17th century. A set of six walnut dining chairs of 17th century design fetched £2,500.

premium and VAT, paid for a pair of George II silver gilt salvers made for George Booth, second Earl of Warrington in 1743 by David Williams II of London. A similar pair made



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## UK NEWS

## Tinplate workers on short time

By Robin Reeves,  
Welsh Correspondent

SHORT-TIME WORKING is being introduced at British Steel Corporation's tinplate plants because of a decline in orders of some 15 per cent from a year ago.

The weekend shift at the three works, at Trostre, Velindre and Ebbw Vale, all in South Wales, will be cut out at least until the annual closure toward the end of July.

For many of the 9,000 workers at the three plants the cut will mean a reduction in pay of up to £20 a week.

BSC hopes that the cut is only temporary. Large quantities of tinplate were contracted from abroad by its traditional customers during the three-month strike. Once this material, bought from the U.S. and the Continent, has been used, it hopes for more orders. The corporation is clearly nervous that a number of its major customers may carry out a threat made during the strike to reduce permanently their dependence on BSC supplies.

### Stressed

Metal Box, the leading can manufacturer, confirmed yesterday that it had reduced its output from BSC for the time being. Because of uncertainty created by the strike it had contracted to buy some 75,000 tonnes of tinplate from U.S. and Continental sources, some 15 per cent of its annual usage.

A company spokesman stressed that no policy decision had yet been taken to reduce BSC's traditional 90 per cent share of its tinplate purchases permanently. Future policy was still under discussion in-house and with BSC, he said.

Under BSC's "slimline" retrenchment programme the tinplate group is due to lose about 500 jobs in this financial year, trimming the labour force of the three tinplate plants to some 8,500.

Last month BSC announced closure of Ebbw Vale's No. 1 galvanising line, with 80 redundancies. Earlier this week it gave notice of closure of its narrow hot strip mill at Whitehead Works, Newport, with 240 redundancies.

These job losses are modest, even though in Ebbw Vale some 6,000 steel jobs have disappeared in six years compared with the 20,000 Welsh steel redundancies being effected, or already implemented, at Shotton, Port Talbot and Llanwern.

## Order delays mar shipbuilding revival

By William Hall, Shipping Correspondent

RECOVERY PLANS for British Shipbuilders are being jeopardised by the non-appearance of promised public sector orders for ships.

Orders for only four of some 25 ships promised by the Government before the end of 1980 as its contribution to British Shipbuilders' plan for restructuring the British shipbuilding industry, have materialised so far.

British Shipbuilders senior executives who are attending a major shipping exhibition in Greece, are concerned that if the promised orders for auxiliary tankers, hydrographic vessels and others do not appear soon, the nationalised shipbuilding industry will be blown seriously off course.

When it agreed its plans with the Government and trades unions for running down the capacity of the UK shipyards last year, British Shipbuilders set itself a target of winning 45 new orders (equivalent to an annual output of 400,000 grt) to maintain work at its "core" shipyards during the rundown of the labour force.

For its part, the Government agreed that the public sector would order a number of ships. British Shipbuilders has now won orders for 42 merchant ships and has very nearly met its target several months ahead of schedule.

In addition, the unions have agreed to only a modest increase in wages for the year, and British Shipbuilders executives are worried that the improved industrial relations climate may be undermined by the public sector's inability to meet its side of the bargain.

British Shipbuilders had framed its corporate plan in the light of anticipated orders for up to 30 ships from the public sector. The absence of these orders is now leading to shortages of work at a number of yards, of which Cammell Laird on Merseyside is the worst affected.

Scott Lithgow on Clydeside, Swan Hunter in the North East and a number of smaller yards are also starting to be hit. The yards are carrying surplus labour in anticipation of the promised orders.

If the workforce is disbanded it will be difficult to

undertake the orders when they finally arrive, and the public sector might be forced to look to overseas shipyards to meet its requirements.

The failure of the orders to materialise is a result of the cutback in public sector spending and a review of the country's defence needs.

British Shipbuilders' recovery plans have been hard hit by the long UK steel strike earlier this year. Now the missing orders are jeopardising efforts to meet its tight financial limits in the current financial year.

Many of British Shipbuilders' senior executives are taking part in the Posidonia International Shipping Exhibition in Greece. At the start of the week the corporation announced orders for 66 ships worth £55m and has high hopes for winning orders for the Austin and Pickersgill-designed B-35.

This ship is a 35,000 dwt handy-sized bulk carrier which British Shipbuilders hopes will become the "tramp" ship of the 1980s, paralleling the success of the SD-14 during the previous decade.

## BAe Baby Airbus in £37m order

By Michael Dennis,  
Aerospace Correspondent

THE FIRST order for the new British Aerospace BAe 146 four-engined short-haul feeder-liner—the "Baby Airbus"—has come from an Argentine airline, LAPA, which has ordered three, with three on option, for a total value of \$65m (about £37m).

The airline, Lineas Aereas Privadas Argentinas, is a privately-owned operator, flying internal routes in Argentina, based on Buenos Aires.

It has ordered two Series 100 aircraft, seating 38 passengers, and one of the larger 102-seater Series 200 aircraft, with options on another three Series 200s. The Series 100 jets are for delivery in September and October, 1982, and the Series 200 from March, 1983.

British Aerospace will have spent more than £100m in research, development and initial production of the BAe 146 "Baby Airbus" by the end of this year but foresees a market for several hundred through the 1980s, especially in under-developed countries.

## Censored defence report raises 'vital issue'

By Michael Donne, Defence Correspondent

DIFFERENCES OF view between a Commons committee and the Ministry of Defence have led to censorship of the committee's report on ammunition storage-sites for British Forces in West Germany. Although the report is published, the Ministry of Defence secured the deletion of substantial parts from the committee's draft.

Though ammunition sites may be of less public interest than other issues examined by the Defence Committee, the issue is regarded nevertheless by the committee as raising a vital question as to how much information ought to be revealed.

The committee's report expresses dissatisfaction with the present situation, and reaffirms the committee's intention to examine again in every one of its inquiries "the arguments for and against publication in the light of the circumstances of each case."

The committee says the

Ministry of Defence wanted parts of its report eliminated on security grounds, and says it did not find such a task easy to comply with. "Indeed, we challenged a number of proposals made, and were not entirely convinced by the explanations offered."

The committee adds that while it does not wish to present to potential enemies information prejudicial to national security, "it is the committee's main duty to inform the House of Commons on defence matters and report thereon, and to do so in as full a manner as is possible."

The latest report reveals the committee's deep concern about current levels of ammunition storage in Western Europe. It says that from its inquiries it has discovered that different national forces in NATO "may not be provided with the ammunition supplies sufficient to fight a war of the same duration."

"That being so, the Commander-in-Chief, other things being equal, would have to plan for a period of conventional war no longer than that able to be sustained by the corps with the lowest level of supplies. He might therefore be forced to recommend the premature introduction of tactical nuclear weapons into the battle."

"It is of paramount importance that all allied forces plan for and stock up to the NATO minimum level of supplies."

The committee also recommends that steps should be taken to get NATO-wide agreement on the basis for the calculation of ammunition expenditure rates and consequent levels of stocks for both land and air forces.

First Report from the Defence Committee, 1979-80: Ammunition Storage Sites for British Forces Germany; HMSO, Command 556, £3.75.

## Severnside airport supported

A MAJOR new airport may be developed on Severnside, on the Welsh side of the Severn Estuary, writes Michael Donne.

The possibility is being supported by Gwent county council and the Guild of Air Pilots and Air Navigators.

Mr. Graham Powell, Gwent County Council chairman, will today support the plan at the public inquiry at Crawley into the proposed second passenger terminal at Gatwick Airport.

Mr. Powell says the area involved, about 5,000 acres of shallow estuarine waters on the Welsh coast between Newport and Chepstow, would be readily reclaimable, and that communications to and from the area by road and rail are good.

He said there was a workforce of more than 600,000 within a 20-mile radius of the site, and the area needed new industry and other forms of employment urgently.

He believes an airport on the river would create a minimum environmental disturbance. Mr. Powell suggested that to create a major international airport on the site would not create a major new demand for additional facilities, such as homes, schools and shops. Most of these existed, so that in terms of public investment "this would seem an extremely cost-effective area in which to locate such a major employment-generator as an international airport."

## Rolls-Royce bidding to equip U.S. jets

ROLLS-ROYCE is bidding to install its engines in two new types of U.S. jet airliner being planned, writes Michael Donne.

One is the Boeing 737-300 airliner, a derivative of the highly successful short-range 737, which could use the Rolls-Royce/Japanese RJ-500 engine. The other is the McDonnell Douglas Advanced Technology Medium Range (ATMR) transport, which could use the Dash 535 version of the RB-211 engine used on the Boeing 737 airliner.

Rolls-Royce teams recently visited Boeing in Seattle and McDonnell Douglas in Long Beach, California, making detailed presentations.

The campaign to win acceptance of the RJ-500, an engine of about 22,000 lbs thrust, for the Boeing 737-300 is believed to be more advanced.

This is a new model of the 737, of which more than 800 of earlier model were sold to 95 customers world-wide. It is intended primarily to offer up to 20 per cent improvement in fuel-consumption at a time of soaring fuel costs.

For this reason, Boeing is examining two types of engine, the Rolls-Royce RJ-500, and the CFM-56 Dash 3, built by the Franco-U.S. (Sneecma-General Electric) consortium.

Provided Boeing can be satisfied about both engines' prices, delivery-dates and performance, it is likely the company

### Prepared

Although primarily designed around the new U.S. Pratt and Whitney JT-10D-232 engine of 32,000 lbs thrust, the McDonnell Douglas ATMR must offer a choice of engines if it is to win the maximum number of customers.

As a result, the company is prepared to consider also the Rolls-Royce RB-211 Dash 535C and the U.S. General Electric CF6-32C1, both of which are about 36,500 lbs thrust but could be "derated" to 32,000 lbs to meet the ATMR's needs.

Rolls-Royce has various versions of the RB-211 installed on the Boeing 747 Jumbo, the Boeing 737 and the Lockheed TriStar jets. It believes that with so many new airliner designs emerging from the U.S., it must try to get aboard as many as possible, to remain in the front rank of international aero-engine manufacturers.

## Doubling of mortgage tax relief called for

By Michael Cassell

AN IMMEDIATE doubling of the mortgage tax relief limit, from £25,000 to £50,000, is being called for by the House-Builders Federation.

The Federation claims the present limit, which has not changed since 1974, is disrupting the "free flow" of the

housing market and will become progressively more damaging.

Because of fears that an apparent lack of commitment by Treasury Ministers to continuing mortgage tax relief could jeopardise its future, the house-builders are also seeking clarification of the Government's policy on the subject.

The Federation says Clause 26 of the Finance Bill, due to go before a Commons standing committee next week, provides an opportunity to lift the £25,000 limit. It says extending home ownership, one of the Government's principal social "constants" turning over, "without blockages at any point."

## Prime property yields 'stable'

PRIME PROPERTY YIELDS remain at their most stable level for 10 years, according to Healey and Baker, the London surveyors and estate agents, writes Michael Cassell.

It points out that in two years, during which minimum lending rate has swung between 6½ per cent and 17 per cent, prime yields have moved by only one-half per cent.

Healey and Baker says that predictions by some sectors of the property market nine months ago that yields would rise have proved wrong. It claims the stability results from

increased demand for prime property stock when the industry was unable to produce sufficient investment opportunities.

According to the agents, the success of recent auction sales, notably for secondary investment properties in the south east, indicates healthy demand from the non-institutional sector. Prices have been "keen."

The company commented: "We believe that the underlying philosophy of investors in these times of economic

uncertainty, with high levels of inflation, is that buildings provide an excellent hedge and that commercial property in particular can over time show growth beyond that seen in other sectors of the market."

"Nevertheless, in the last six months there has been a clear diminishing of rental growth, particularly in the shopping sector, and rates are now nearer to the average long-term figure of 12 per cent per annum compound than the unrepresentative levels achieved over the last two to three years."

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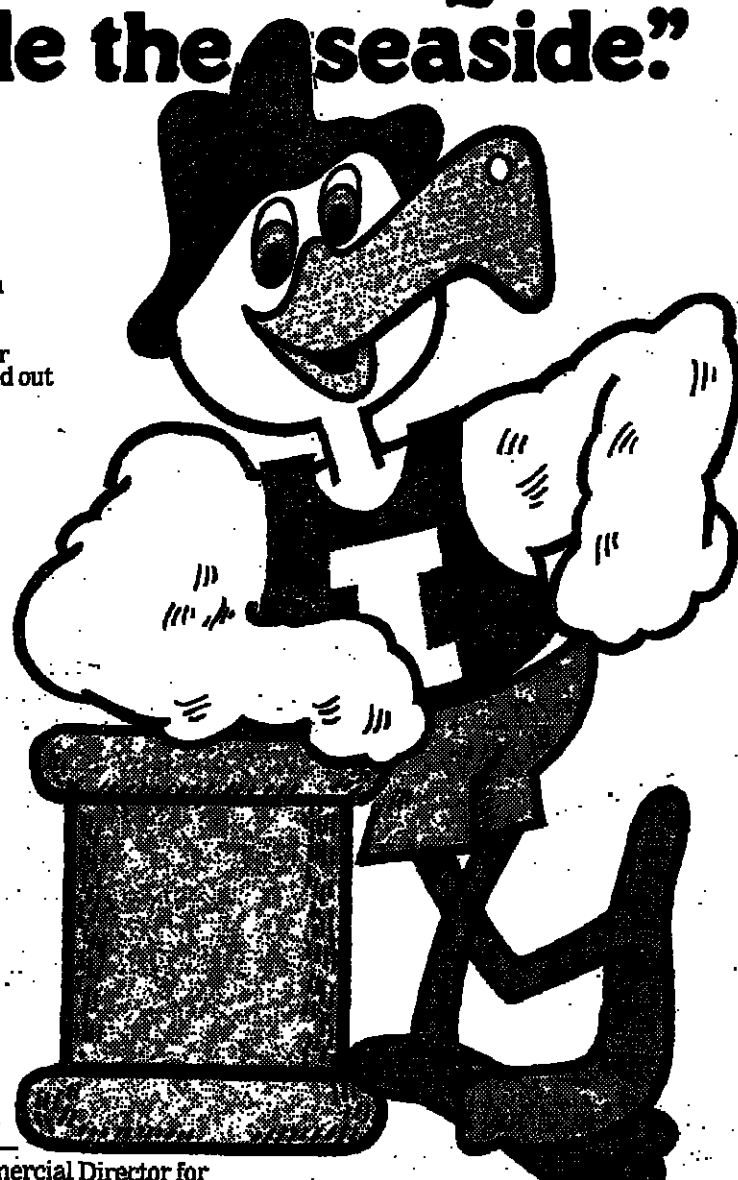
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# UK NEWS - LABOUR

Lisa Wood looks at the Government's road spending programme

## A steady speed on highways to the future

SPENDING ON building and improving roads is to be maintained in real terms over the next four years but will not increase, according to the Government's White Paper on its road programme, published yesterday.

The White Paper, the first comprehensive statement of the Government's policies for the trunk road system in England, allocates about £300m a year for this, with £30m a year more to be spent on maintenance.

But this total yearly expenditure of £330m compares with £603m in 1974-75 at November 1978 prices.

Mr. Norman Fowler, Minister of Transport, said: "The road programme strikes a balance between what we would like to

resources are available for road construction in the later 1980s. Many schemes, not included in its immediate programme up to 1984, will not be started for 10 years or more.

A further warning is that expenditure in any year must be within the cash limit for that year.

There are inevitable difficulties in controlling a programme with long lead times within an annual cash limit. The White Paper says: "The planned pattern of expenditure can be adversely affected by factors beyond control, such as the weather, market conditions and the settlement of contractors' claims relating to work in previous years."

"If for these reasons, spending is higher than estimated or costs rise faster than expected we will not be able to carry out within the cash limit all the work originally planned - still less the reserve schemes."

"While these factors can work in either direction, we must keep a margin in hand in order to hold the risk of breaching the cash limit to a minimum. This means that spending should normally be slightly below the cash limit, but exceptionally that for 1979-81 is therefore being reduced by a comparable amount."

| EXPENDITURE ON TRUNK ROADS 1974-75 TO 1983-84<br>(£m at Nov. 1978 prices) |         |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|---------|
|   | 1974-75 | 1979-80 | 1980-81 | 1981-82 | 1982-83 | 1983-84 |
| New construction and improvement  | 280     | 287     | 302     | 298     | 295     | 295     |
| Maintenance   | 89      | 93      | 91      | 92      | 93      | 93      |
| Total   | 369     | 380     | 393     | 391     | 388     | 388     |

do and what we can afford. Spending is being stabilised at the level inherited from the last administration.

"As far as road construction is concerned, our priorities are to meet the needs of industry and to keep heavy lorry traffic away from towns and villages."

He said most major industrial routes should be completed by the mid-1980s and thereafter the road programme would concentrate on by-passes, dealing with specific local problems, and maintenance.

The White Paper says: "While we are providing around £300m a year for new construction and improvements, only about £200m will actually be available for major new road schemes."

"Of the remaining £100m a year, about £15m is accounted for by small improvements, about £30m by land acquisition, £15m by ancillary works such as noise insulation and motorway communications, and £40m by the cost of preparation and supervision."

"So on present plans about £300m will be available over the next four years for new construction work. Nearly half of this has already been committed and the bulk of the remaining

approaches to Hull Docks. These should be finished by the mid-1980s.

Other slightly longer-term schemes, such as the M40 from Oxford to Birmingham and the extension of the North Circular Road to London's Dockland, "should not be held up for lack of resources," says the White Paper.

The Government also wants to fit into its programme as many by-passes as possible, for towns such as Wimborne, Colchester, Lincoln, Berwick and Leominster. To do this, some big projects have had to be abandoned, modified or postponed. Schemes to be deferred include the M20 between Maidstone and Ashford and the A6(M) Stockport North/South By-pass.

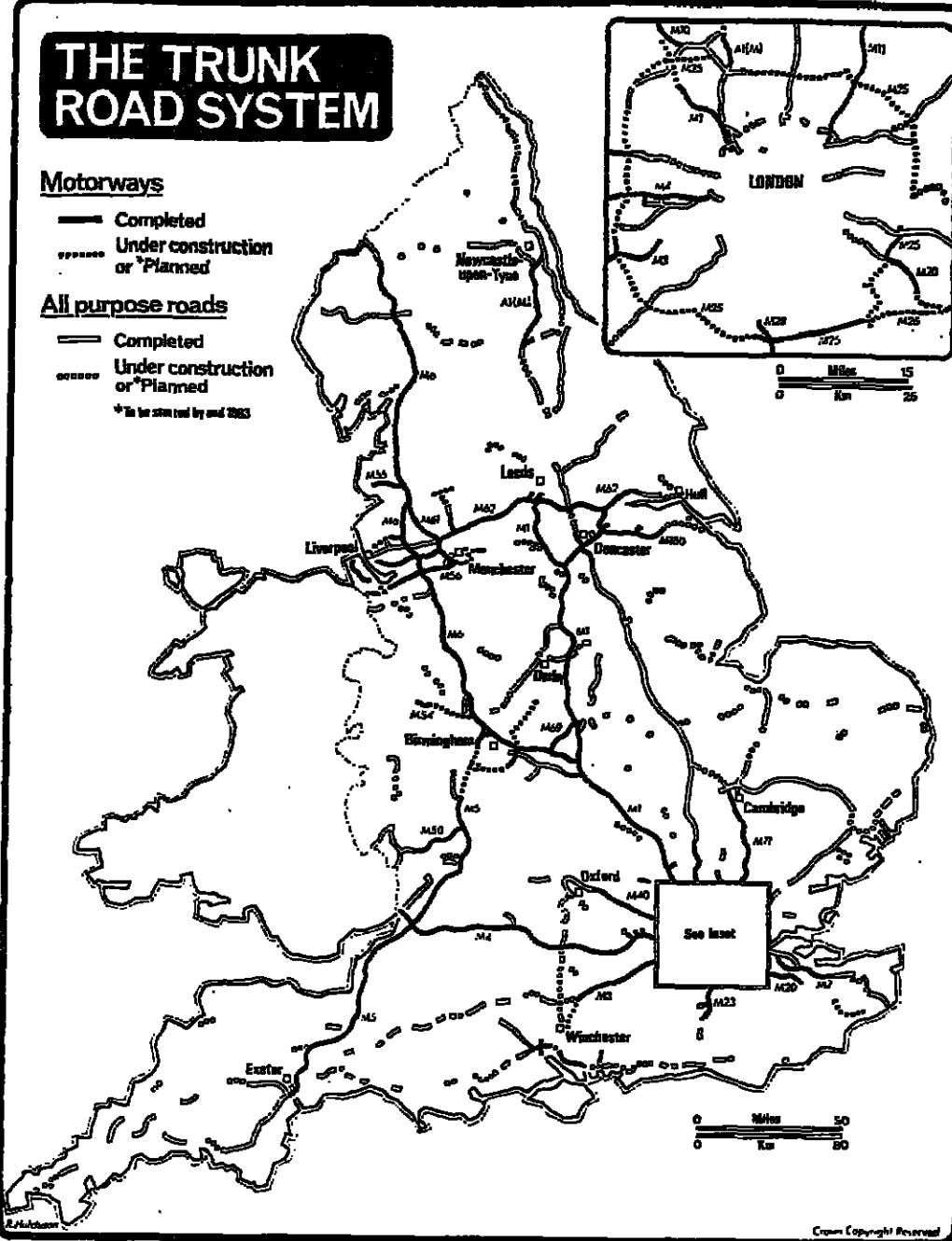
The Government's total programme consists of nearly 400 schemes, at a total estimated cost of nearly £5.5bn. The White Paper says: "The programme outlined in the previous administration's Roads White Paper was based on an over-optimistic estimate of the earliest possible start date for each scheme. Nor did it allow for the likely constraints on the availability of funds."

It warns that unless more

### Motorists' drink offence record

THE NUMBER of proceedings against motorists for drink and drug offences last year will probably reach a record of 73,000, according to a new report.

That will be an increase over the previous year of nearly 13 per cent while the number of drunkenness offences by pedestrians in the year rose by more than 7 per cent.



### Road resurfacing costs sought

BY ELAINE WILLIAMS

A CALL to the Government to consider whether the Post Office and other organisations which dig up roads for repair work should meet resurfacing costs has been made by the Association of County Councils.

"The highway authority is increasingly faced with the cost of resurfacing or reconstruction works which have nothing to do with normal wear and tear," the association said.

Organisations which needed to carry out repairs under the road must pay for infilling holes. But the association said this work, "as every road-user will recognise," rarely restored the highway to its original condition.

### APPOINTMENTS

## New director for BP Chemicals

Mr. Alan T. Gregory is to join the Board of BP CHEMICALS. Mr. Gregory is a director of BP Trading with special responsibilities for the UK, and for BP Group External Affairs. He is also a director of BP Oil and BP Petroleum Development.

Mr. C. J. P. Watney will be managing director of RAYNER MARRIS on August 1 in place of Mr. M. E. Whitlock, who will be retiring but will continue as a non-executive director. Mr. Watney joins the company from H. P. Bulmer Holdings, where he has been a director and managing director of the cider division.

STAUFFER CHEMICAL COMPANY has appointed Mr. Ernest Bachofner as director general of the Europe division. He replaces Mr. M. J. Turk, who will be returning to the company's headquarters at Westport, Connecticut next August.

Mr. Peter Cobb, export sales manager of HARVEYS OF BRISTOL, will be leaving the company in July to take up a new appointment as executive director of Harveys' associate company COCKBURN, SMITHES AND CIA LTDA., of Oporto.

Mrs. Patricia Bisset, Mr. Gilbert Jarvis, Mr. David Smith and Mr. Gilbert Smith have joined the Board of KEITH FROSE AND CO. Mr. John Tjaden has been appointed secretary.

Mr. R. B. Botcherby has resigned from the EUROPEAN ARAB BANK GROUP. For nearly two years he has held the dual positions of managing director of European Arab Bank, London, and managing director of European Arab Group. The company states that it has become increasingly apparent that these roles are incompatible and as Mr. Botcherby would not like to give up his London post he has decided to leave the group.

Mr. John Ralsman, chairman and chief executive of Shell UK, has been appointed chairman of the CONFEDERATION OF BRITISH INDUSTRY'S Europe Committee. He succeeds Sir Derek Ezra, who retired from the post last month.

Mr. H. J. Bragg has been appointed managing director of CALOR GAS HOLDINGS. His appointment follows the decision of Mr. P. V. Colebrook, a managing director of IC Gas, the UK parent, and chairman of its executive committee, to hand over his direct responsibilities for Calor Gas following the increase in the spread of IC Gas's activities resulting from the recent acquisition of CompAir. Mr. Bragg, who has been with

Calor for ten years and is also a director of IC Gas, will continue as managing director of the Calor Group Limited. Mr. Colebrook remains on the Board of the holding company and as chairman of Calor Group Limited.

Mr. Terry Madden has joined the Board of VERO ADVANCED PRODUCTS.

Dr. Max Adler has resigned from the Board of BOWHURST but will continue as a consultant to the company. Mr. Desmond Ballard has been appointed director and secretary. He was formerly associate director, client liaison services.

Mr. R. T. MacPherson, chairman and chief executive officer of Allstate and Mr. Richard Hazen, senior executive vice president of that concern, have been appointed non-executive directors of FEDERATED INSURANCE COMPANY. Mr. MacPherson is also deputy chairman and managing director of Mallin-Denny.

Mr. Douglas S. Timms has been appointed a director of STAVELEY INTERNATIONAL based in New York. He will be responsible for investment and the divestment strategy in the U.S. and Canada. For the last 10 years Mr. Timms has been the president and chief executive officer of the Landis and Gyr Swiss multi-national interest in the U.S.

Mr. Charles J. A. Jamieson has been appointed chief financial officer of PREMIER CONSOLIDATED OILFIELDS. He was formerly with the financial department of Gulf Oil International.

Mr. Roger E. Anderson, chairman of Continental Illinois National Bank and Trust Company of Chicago, has been installed for a one-year term as the president of the INTERNATIONAL MONETARY CONFERENCE. The new vice president of IMC is Mr. Luc V. Wauters, chairman, Alamanji-Kreditbank Group, Brussels.

Mr. Anthony J. Carter has been appointed manager-banking of INTERNATIONAL MEXICAN BANK.

Mr. Geoffrey Harrison-Dees and Mr. Ronald L. Jones have been appointed directors of Simeco and Mr. Harrison-Dees has also joined the Board of Saturn Fund Management Company. Both companies are part of the MERCANTILE HOUSE HOLDINGS GROUP, as is Saturn Management where Mr. Garry Johnson has joined the Board.

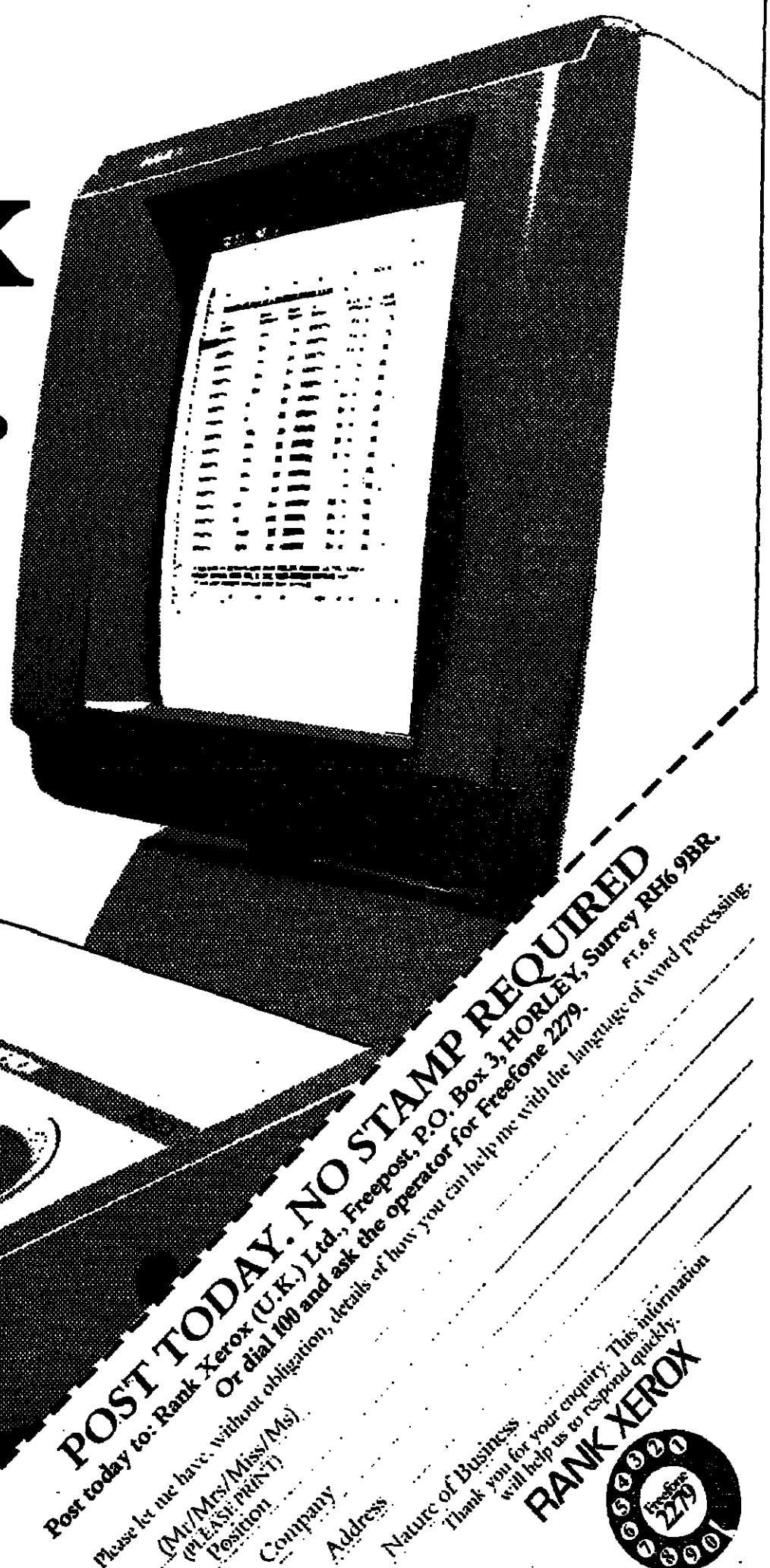
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## UK NEWS - LABOUR

## TUC may organise workless

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE TUC is considering extending its representations on behalf of the unemployed and pensioners to a direct negotiating role with the Government.

Mr. Jenkins said yesterday that it was time that the TUC played a role in how the "social wages fund" was allocated. His concern was motivated by forecasts, many for long terms of more than 2m unemployed, and increased incidence of enforced "early retirement."

He said that recent research by ASTMS showed that many industrial workers were being laid off in their fifties, with low

expectations of further employment.

ASTMS has made policies for a "social wage" a central part of its concern in the past year. It has publicised the concept of unions providing "whole-life security," rather than merely job security.

The proposal, already discussed by the TUC's powerful Finance and General Purposes Committee and approved by the General Council for further detailed consideration, is an important part of the general review of organisation and structure by the TUC in the next 12 months.

The most radical idea, from Mr. Clive Jenkins, general secretary of the Association of Scientific, Technical and Managerial Staffs, is for the TUC to issue "TUC cards" to the unemployed and pensioners, and to organise them in much the same way as trade unions organise their members.

Other unions have remained more sceptical of this initiative, as Mr. Jenkins admitted. It was likely to be discussed at a special meeting of the Finance and General Purposes Committee, possibly over an entire weekend.

The proposals will be discussed by the TUC Social Insurance and Industrial Welfare and Employment Policy Committees before coming back to the Finance Committee. Late in the year a consultative document for circulation to TUC-affiliated unions will be drafted.

The proposal as described by Mr. Jenkins would present formidable organisational problems, and would be likely to meet stiff resistance from the Government if adopted.

However, the TUC and a number of unions are concerned about future falls in membership, and would consider seriously ideas for substantial growth.

## TGWU may end bar on BL plan

BY PHILIP BASSETT, LABOUR STAFF

BL's LARGEST UNION, the Transport and General Workers, is to consider at a special delegate conference of its members whether to continue its opposition to the recovery plan put forward for the company by Sir Michael Edwards, its chairman.

The union has until now maintained its firm stand against the plan, despite the work-force ballot held by the company last year in which workers overwhelmingly endorsed the plan with an 87 per cent vote.

But Mr. Moss Evans, TGWU general secretary, announced yesterday that the union executive has decided this week to test the union's policy at a one-day conference in Coventry later this month, which would draw up a recommendation for the executive.

The executive considered this week a report on BL commissioned by the union from Eurofinance, a Paris-based consultants' group. The report advises

the union to support the BL plan and to avoid exposing the company to "short-term shocks."

Mr. Evans said that the plan, which will itself be considered by the delegate conference, "support a great deal of what we said." It would be in the interests of both BL and the motor industry for the company to take a "more expansionist" role.

The TGWU is considering withdrawing from the Confederation of Shipbuilding and Engineering Unions, but the executive this week deferred taking a decision on the issue until after the CSEU's annual conference later this month.

Mr. Evans said that BL was pulling out of the Engineering Employers' Federation, probably next month, and as a result "no useful purpose will be served in the CSEU accepting the responsibility of overlooking the affairs of the unions in BL."

## Mobil deal with drivers

BY NICK GARNETT, LABOUR STAFF

MOBIL has agreed a pay deal for its tanker drivers and ancillary staff, taking basic pay 14 per cent above that paid to drivers at most other major oil companies.

The settlement, which took

effect from May and runs for 12 months, follows three interim payments made by the company to this group of workers since last summer.

Mobil agreed with the Transport and General Workers Union last year to change the settlement date to May from the traditional November, leaving the company out of phase with the rest of the oil industry.

Mobil agreed a basic rate of £78 to operate from November 1978. Since it has made interim last year, a further 6 per cent payments of 6 per cent in July in November and a topping up increase at the beginning of this year to bring the rate to £92, in line with the £92 basic rate for drivers at the other major companies.

Mobil has now concluded a new 12 month agreement lifting the basic rate for its 525 drivers and depot workers to £105. Because of the change in Mobil's

settlement date, the other oil companies did not appear yesterday to be worried by the deal.

Union officials made clear however that the Mobil rate will be used as a base from which they will try to build a pay settlement in the other oil companies at the end of this year. There has been some suggestion of a target of at least £110 which would be a rise of about 20 per cent.

Five of the major oil companies—Shell, BP, Esso, Mobil and Texaco—are in various stages of negotiations, in some cases far advanced, on improving productivity within their distribution services.

Shell and BP are thought to have put forward a package of proposals which have been fairly well received by shop stewards although payments attached to the proposals have still to be agreed.

## Whitehall censure by Evans

By Philip Bassett, Labour Staff

THE GOVERNMENT'S economic strategy will come under attack at the TUC Congress and the Labour Party conference in September in strongly-worded motions on unemployment being put forward at both by the Transport and General Workers' Union.

This week the Manpower Services Commission rubber-stamped a battery of economic forecasts predicting that unemployment will exceed 2m by the end of 1981.

Both motions will be particularly aimed at the Government's public expenditure cuts and high interest rates.

Mr. Moss Evans, TGWU general secretary, said yesterday that the spending cuts were one of the major factors forcing up the level of unemployment. He also criticised the Government's plan to set up business enterprise zones. He said few companies would be able to take up the opportunity which seemed to be offered by the zones because of prohibitive interest rates.

The TGWU has suffered over the past three months what Mr. Evans described as a "fairly substantial" drop in membership. The fall is in line with many predictions for a likely decrease in overall trade union and TUC membership.

The union has lost about 25,000 members, falling from 2,083,000 at the time of its last executive meeting in March to the present figure of 2,058,315.

## CEGB not to attend Isle of Grain talks

BY JOHN LLOYD

THE CENTRAL Electricity Generating Board will not attend talks at the TUC today aimed at settling the inter-union dispute at the £560m Isle of Grain power station construction site, the board's largest project.

However, all unions involved in the dispute are expected to attend, together with the Thermal Insulation Contractors Association, which represents the companies who contract for insulation work.

They will meet members of the TUC's Finance and General Purposes Committee, including Mr. Ray Buckton of the train drivers' union, ASLEF. Mr. Lawrence Daly, general secretary of the National Union of Mineworkers, and Mr. Geoffrey Drain, general secretary of the National Association of Local Government Officers.

The dispute centres on the insistence of the General and Municipal Workers Union that insulation engineers, or ladders, receive a high open-ended bonus rather than work for a maximum of £4.80 an hour, which has been accepted by the other craft unions on the site.

The ladders organised by the GMWU have been replaced by trainee ladders, supplied by the

Amalgamated Union of Engineering Workers' construction section, the Electrical and Plumbing Trades Union and others—a further cause of dispute between the two sides.

In a letter to Mr. Len Murray, the TUC general secretary, Mr. Ron Burbridge, the CEGB's director of projects, says the Board's position has not changed since a meeting on Grain at the TUC on March 25. Mr. Burbridge said lagging contracts had been formally allocated to two of the major site contractors, Babcock Power and the General Electric Company. He thus did not consider it appropriate to enter the discussions.

The hard-line taken by the CEGB will strengthen the hand of the craft unions, led by Mr. John Baldwin, general secretary of the AUEW construction section. He argues that the craftsmen will not accept lower bonuses than the ladders, and that unless lagging work continues, the board will close down the site.

However, the GMWU is committed to calling but its ladders from other CEGB sites, and from operating stations from June 15 if the TUC fails to resolve the issue.

## BASE LENDING RATES

|                                      |     |  |     |
|--------------------------------------|-----|--|-----|
| A.B.N. Bank                          | 17% | Hambros Bank   | 17% |
| Allied Irish Bank                    | 17% | Hill Samuel  | 17% |
| American Express Bk.                 | 17% | C. Hoare & Co.   | 17% |
| Amro Bank                            | 17% | Hongkong & Shanghai  | 17% |
| Henry Ansbacher                      | 17% | Industrial Bk. of Scot.  | 17% |
| A.P. Bank Ltd.                       | 17% | Keyser Ullmann   | 17% |
| Arbuthnot Latham                     | 17% | Knowles & Co. Ltd.   | 17% |
| Associates Cap. Corp.                | 17% | Leasleys Trust Ltd.  | 17% |
| Banco de Bilbao                      | 17% | Lloyds Bank  | 17% |
| Bank of Credit & Cmce.               | 17% | Edward Manson & Co.  | 17% |
| Bank of Cyprus                       | 17% | Midland Bank   | 17% |
| Bank of N.S.W.                       | 17% | Samuel Montagu   | 17% |
| Banque Belge Ltd.                    | 17% | Morgan Grenfell  | 17% |
| Banque du Rhone et de la Tamise S.A. | 17% | National Westminster   | 17% |
| Barclays Bank                        | 17% | Norwich General Trust  | 17% |
| Bremar Holdings Ltd.                 | 17% | P. S. Refson & Co.   | 17% |
| Brit. Bank of Mid. East              | 17% | Rossminster  | 17% |
| Brown Shipley                        | 17% | Ryl. Bk. Canada (Ldn.)   | 17% |
| Canada Permt. Trust                  | 17% | Schlesinger Limited  | 17% |
| Cayser Ltd.                          | 17% | E. S. Schwab   | 17% |
| Cedar Holdings                       | 17% | Security Trust Co. Ltd.  | 17% |
| Charterhouse Japhet                  | 17% | Standard Chartered   | 17% |
| Choulartons                          | 17% | Trade Dev. Bank  | 17% |
| C. E. Costes                         | 17% | Trustee Savings Bank   | 17% |
| Consolidated Credits                 | 17% | Twentieth Century Bk.  | 17% |
| Co-operative Bank                    | 17% | United Bank of Kuwait  | 17% |
| Corinthian Secs.                     | 17% | Whiteaway Laidlaw  | 17% |
| The Cyprus Popular Bk.               | 17% | Williams & Glyn's  | 17% |
| Danco Lawrie                         | 17% | Winttrust Secs. Ltd.   | 17% |
| Eagil Trust                          | 17% | Yorkshire Bank   | 17% |
| E. T. Trust Limited                  | 17% | Members of the Accepting Houses Committee  | 17% |
| First Nat. Fin. Corp.                | 19% | 7-day deposits 15%, 1-month deposits 15%   |     |
| First Nat. Secs. Ltd.                | 19% | 7-day deposits on sums of £10,000 and under 15%, up to £25,000 18%, and over £25,000 15% |     |
| Robert Fraser                        | 17% | Call deposits over £1,000 15%, Demand deposits 15%                                       |     |
| Antony Gibbs                         | 17% |  |     |
| Greyhound Guaranty                   | 17% |  |     |
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## Nurses spurn appeal

BY PAULINE CLARK, LABOUR STAFF

A GOVERNMENT appeal to Britain's 400,000 nurses to accept that there could be no extra money to meet their pay demands was rebuffed yesterday by the Royal College of Nurses, traditionally the most moderate of the nurses' unions.

Miss Catherine Hall, general

secretary of the RCN, which today draws up plans to ballot on industrial action, said use of nurses as "front-line troops" in the battle against inflation could not be tolerated. Nurses had always been used as the scapegoats of Government economic policies. That was demonstrated by their low pay.

Miss Hall was responding to a statement yesterday by Mr. Patrick Jenkin, Social Services Secretary. He said the Government would not allow the nurses' annual pay rise to exceed the 14 per cent cash limit for the Health Service.

He told West Midlands Area Women's Conference at Cheltenham that the need to counter inflation was at the heart of Government strategy.

"If we can keep public spending under tight control, if we can progressively reduce the amount the Government has to borrow, if we can bring interest rates down, and if we can keep a firm hold on the money supply, then, provided people behave sensibly and rationally, inflation will come down," he said.

On nurses' pay he said he did not have unlimited money for the Health Service. If more was spent on pay, there would be less for services.

"It is not as if nurses have a particularly strong case, as has been the position in earlier years," he said. "What we are asking the nurses to do is to agree to a pay settlement which is already calculated to cost more than 20 per cent."

By Our Labour Staff

THREE QUARTERS of all women working part-time - more than 2.75m - earn headline wages, according to a special report published yesterday on Britain's part-time workers.

Launching a campaign by the National Council for Civil Liberties and the Low Pay Unit to improve the lot of the country's 4.25m part-timers, the report called for a change in Government attitudes towards the group.

Ms Jennifer Hurstfield, senior lecturer in sociology at the City of London Polytechnic and a research associate for the LPU, pointed out in her report, entitled Part-Time Pitance, that the group was an important section of the country's workforce, almost half the part-timers in the EEC.

She said that although one British worker in every five is in this group, they received "a bad deal" and were generally paid much lower hourly rates than full-timers.

Research showed that the 2.75m women earned less than £1.50 an hour last year, the equivalent of the supplementary benefit level for a typical family.

It was emphasised that the figures were an underestimate. A third of part-time workers were left out of Government figures because their weekly pay was too low.

Extracts from the Statement by the Chairman, Mr. M. J. Babington Smith, at the 113th Annual General Meeting held in London on 5th June 1980



## Ottoman Bank

Incorporated in Turkey with Limited Liability

I am very sorry to have to advise you of the deaths of two Members of your Committee. Monsieur François Antoine, who joined the Committee in January 1966, died on 29th May 1979, and Monsieur Rased Aksan was assassinated by terrorists in Istanbul on 9th November last. Your committee have invited Monsieur Pierre Haas and Monsieur André Auchman to fill these vacancies.

## TURKEY

During 1979, the Turkish economy continued to be affected by the massive balance of payments deficit. Inflation grew at more than 80% per annum whilst industrial output slackened.

A new Government was set up under the leadership of Mr. Demirel and, although outside the period under review, one should mention the important and constructive economic measures taken by the new Government at the beginning of this year, including the further devaluation of the Turkish Lira from 106 to about 160 to the Pound.

Despite these difficulties, our branches succeeded in greatly expanding their business. Our legal status in Turkey has not changed.

## HOTEL COMPANY, ISTANBUL

This has been a difficult year for our Hotel Company. Although their lease still had about 10 years to run, the Intercontinental Hotel Group unilaterally terminated it in July 1979 at a time when the hotel in Istanbul was closed by a strike. This action has been referred to international arbitration so that no more should be said now.

## SOCIETE NOUVELLE DE LA BANQUE DE

## SYRIE ET DU LIBAN

In 1979, with a view to developing the business of Société Nouvelle de la Banque de Syrie et du Liban, we and Paribas sold to a first class Lebanese group an equal number of shares amounting in all to just under one third of the capital.

In spite of the uncertainties in the Lebanon, the business of our associate bank has made much progress. The 1979 Balance Sheet will total L£ 878 million against L£ 768 million in 1978. The net profit will have increased from L£ 745,000 in 1978 to about L£ 1,675,000. In view of these results, the Board will propose a dividend of L£ 12 per share.

As a further development of their business, SNBSL established in 1979 a subsidiary in France under the name of SNBSL (Europe).

## BANK OF TEHRAN

Turning to the Bank of Teheran, you are no doubt aware that last year the government of Iran decided to nationalise all banks operating in that country. We have, of course, submitted a claim for compensation to the authorities.

## PLAGEFIN

Another of the Bank's investments is a Luxembourg holding company, Plagefin, set up to handle part of our portfolio.

Copies of the Report and Accounts will be obtainable from:

The Secretary, Ottoman Bank, Representative Office, 2/3 Philpot Lane, London EC3M 8AQ

## 'Breadline' wages for part-timers

By Our Labour Staff

THREE QUARTERS of all women working part-time - more than 2.75m - earn headline wages, according to a special report published yesterday on Britain's part-time workers.

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## banque française du commerce extérieur

EXERCICE 1979

At the Annual General Meeting held on April 29, 1980 under the chairmanship of Mr. François GISCARD d'ESTAING, Chairman and Chief Executive of the Bank, assisted by Mr. Georges ASSEMAT, Honorary Chairman, and Mr. Albert BOUVIER, member of the Board and Managing Director, the shareholders of the B.F.C.E. heard the reading of the Chairman's letter along with the Board's report and the auditor's report, after which they approved the balance sheet and the accounts for the year ending December 31, 1979.

The balance sheet total works out this year at approximately FF 140 billion and shows an overall progression of +20.8%, i.e. slightly higher than the +19.5% for the previous year.

This evolution was more marked (+24.5%) together with the credits to clientele and bank-to-bank operations of which the outstanding global amount reaches FF 34.2 billion thanks, in particular, to the credits extended in foreign currencies by the Head Office and, even more so, those of the New York branch. The restriction on credits in Francs and the re-integration within these limitations (for percentages progressively increased from 15% to 30% in 1979) of export credits not originally subjected to restriction have, however, slowed down B.F.C.E. expansion in this particular field.

On the other hand, with a +20.7% and a total of FF 93.9 billion, development of the procedures for financing exports at short, medium and long term in which the B.F.C.E. intervenes has been rather less sustained overall. Taken individually, these three categories of financing have evolved differently during the year, viz. short term progressing sharply (+27.5% at FF 31.6 billion) and medium term in satisfactory fashion (+19.6% at FF 45.1 billion) whereas long term, as foreseen, shows a certain slow-down (+11.1% at FF 14.1 billion).

Under the "Off Balance Sheet" heading one notes a substantial development in guarantee bonds and documentary credits.

The gross banking margin has grown by 6.5%. The proceeds of operations with the Franc Treasury have been affected by the cumulative effect of the rise in the price of money on the money-market and the constraints of the credit squeeze, whereas classic banking commissions for signature and services advanced vigorously.

After appropriations for depreciation and provisions, of which FF 6.5 million for staff participation in the fruits of expansion and FF 28.6 million for company tax, the net profit for distribution works out at FF 45.8 million as against FF 43.4 million for the previous accounting period.

The dividend has been fixed at 7.5% (Tax Credit over and above) as for the 1978 accounting period and appropriation in reserves at FF 13.7 million as against FF 11.9 million for the previous year.

Finally, it should be noted that the recent increase in capital, from FF 200 million to FF 300 million via an injection of fresh money, subscribed to in February 1980, as well as the two debenture loans for the current needs of the Bank issued for FF 300 million and US\$ 40 million, came to reinforce the Bank's means for action.



## UK NEWS - PARLIAMENT and POLITICS

## Hattersley hint on repeal of rates plan

By Robin Pauley in Brighton

THE STRONGEST hint so far that a future Labour Government would repeal the present Government's proposal to replace the rate support grant system with the controversial block grant plan, was given yesterday by Mr. Roy Hattersley, Opposition Environment spokesman.

"What is intolerable about the Government's proposals is that central resources should be divided and distributed in a way which compels and coerces individual councils to take decisions which they elected representatives believe to be against the interests of their areas," Mr. Hattersley told local authority chief executives and treasurers at the Chartered Institute of Public Finance and Accountancy Conference in Brighton.

He was speaking at a time when prominent Tories were also reviving their attacks on the block grant plan.

Sir John Grieve, chairman of the Association of County Councils policy committee, has criticised the plan sharply this week.

Mr. Peter Bowness, Tory chairman of the London Boroughs Association and leader of Croydon Council, told the conference that local government should not abandon the block grant until the proposals were finally law.

Mr. Hattersley said: "The next Labour Government will restore financial autonomy to local governments."

"To distribute grant in a way that punishes and penalises councils that either raise higher rates than the Government thinks necessary, or spend more on services than the Government thinks necessary, is a denial of local democracy," he said.

The block grant plan is contained in the Local Government Planning and Land Bill, which is expected to begin its report stage in the Commons at the end of this month.

In a final bid to persuade Ministers to modify or abandon the proposal, local authority associations are to ask for the next meeting of the Joint Consultative Council on Local Government Finance to be held before the report stage. But all the main principles of block grant seem certain to survive intact.

Civil Servants are, at this late stage, still having great difficulty in putting the working detail onto the theoretical principles of block grants. Mr. Hattersley said this "mess" was another example of the economic illiteracy of the Government's policies.

He also warned that if the Government penalised some Labour authorities for levying "excessive" rates in the pound this year, the Labour Party would take up the rights of the councils in law.

## Thatcher stands firm on monetarism

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE PRIME MINISTER re-emphasised in the Commons yesterday the Government's determination to stick to firm monetary policies and criticised high wage increases that were not related to productivity.

In exchanges during question time, she also indicated that she had not ruled out the possibility of making shares in all nationalised industries generally available to the public.

Mr. William Hamilton, (L. Fife Central), recalled that Sir Keith Joseph, the Industry Secretary, had been in California saying that Britain was making progress away from "stagflation".

"Can you give a single shred of evidence that this is happening?" asked Mr. Hamilton.

He suggested that Sir Keith, who had visited America to obtain investment for Britain's silicon chip industry, would have been better employed investing the second tranche of £25m of Government funds in America in the UK.

Mrs. Thatcher said that Sir Keith was concerned to boost

the micro-electronics industry in this country because it was expanding and taking on more labour. Exports of micro-electronics so far this year were about 30 per cent up on last year.

On the question of Inmos, she said that the last Labour Government had given the company £25m through the National Enterprise Board to set up a factory in Colorado Springs, but this had only so far resulted in 37 jobs in Britain.

"We are considering very carefully what conditions we should attach to any more money that goes in that direction," she emphasised.

Mr. James Callaghan, the Opposition leader, intervened to complain that she had not answered Mr. Hamilton's question about stagflation. There was a year by year decline in industrial production and daily announcements of redundancies.

He wanted to know what the Government was going to do about unemployment which was going to get much worse over the coming months.

The Prime Minister agreed

that there was a substantial number of redundancies, but reminded Mr. Callaghan that he and other Labour leaders had said: "One man's wage increase can cost another man his job."

That is what could happen as the result of high wage settlements. Some of these increases were now totally unrelated to productivity. They were pricing whole firms out of the market and people were choosing to buy more competitive products from overseas.

Returning to the attack, Mr. Callaghan said that it was the high level of interest rates on which the Prime Minister had made a false start last Tuesday—and the Government's monetary policy which was having a more direct effect on jobs.

He told her that she had to take responsibility for unemployment in addition to blaming the trade unions for it.

Mrs. Thatcher retorted: "No one can create genuine jobs by printing more money. That only creates more inflation and that leads to more unemployment."

She pointed out that the Man-

power Services Commission had said that the generation of permanent new jobs was outside its powers.

Mr. Tim Eggar, (C. Enfield North), asked her to confirm that it remained the Government's intention to return the ownership of nationalised industries directly to the people. He urged her to consider whether shares of public corporations, such as BNO, should be given directly to all citizens, taxpayers and pensioners.

"Such a proposal would encourage ownership, lead to the recognition of the need for profit and ensure that no further nationalisation could be taken up by any future Labour Government," he added.

The Prime Minister told him that, where nationalised industries were being sold to the public, the Government believed that those who worked in them should have first preference on purchasing the shares.

A scheme for making such shares available to the public had been partly carried out in



William Hamilton: no evidence on "stagflation"

Vancouver, but this had involved a smaller number of people. As far as Britain was concerned, she said, "we would not at any rate rule it out."

## Government to force sale of unused public sector land

BY GARETH GRIFFITHS

THE GOVERNMENT yesterday named the 21 areas in England where it intends to force local authorities and nationalised industries to sell unused land to the private sector for development.

Mr. Michael Heseltine, Environment Secretary, said he hoped the scheme would start by the beginning of next year.

A series of registers will be drawn up, listing all public sector owned land which is unused or waste ground. The minimum size of land to be registered is one acre.

The areas listed are predominantly in the North and are generally suffering from inner city decay and high unemployment. They cover the conurbations of Merseyside, Manchester, Newcastle upon Tyne, Leeds, Bradford, Coventry and Stoke are also included. In the South, Bristol, Exeter and Wandsworth are named.

The Government wants to see the waste land disposed of as quickly as possible. Under the provisions of the Local Government and Planning Bill, the Department of the Environment

will be able to direct public sector organisations to sell off their land on the open market. The project is currently running six months ahead of schedule.

Mr. Heseltine refused to specify how long he is prepared to allow local authorities and nationalised industries to establish beneficial planning uses for their land.

However, he ruled out "protracted negotiations." He said local authorities had been presented with an opportunity to improve the environment and their financial position.

Mr. Heseltine said he regarded the amount of public waste land as a major problem. The Department had no exact figures on the amount of land involved, although in Liverpool about 1,000 acres were waste.

Local authorities, nationalised undertakings, new town authorities and regional planning boards are covered by the registers. In spite of earlier suggestions that the nationalised industries were the major culprits in refusing to dispose of unused land, Mr. Heseltine said he was unable to apportion blame.

## TGWU backs Left on Labour reforms

BY PHILIP BASSETT, LABOUR STAFF

THE Transport and General Workers' Union, the largest union affiliated to the Labour Party, has placed its weight behind the movement for greater accountability in the party, which has been spearheaded by the party's Left wing.

The TGWU, which has 1.25m affiliated members, says in its evidence to the party's Commission of Inquiry, published yesterday, that the "principle of democratic accountability is essential to restore the due authority of the leadership, whether at the level of Party Leader or the question of MPs re-election."

The union stresses the importance that both processes are established as routine party operations so that democratic authority and credibility will not be called into question at times of "inevitable stress and policy division."

While supporting the re-election of MPs and the election of the party leader by an electoral college, the union is less clear-cut in its response to the question of how the election manifesto should be drawn up.

It rejects any "hasty alterations" to the present system, and says that any changes should be "very carefully considered." While the union voted at last year's party conference for constitutional changes which would give the party's NEC the final decision on the manifesto, in its evidence it goes no further than to offer to examine this "in the light of other constitutional reforms proposed."

The union admits that "some suspicions still linger" over accusations that, because of the bout of strikes in the winter of last year, the unions damaged Labour's re-election prospects. But it says that "in our opinion most of the wounds have been healed."

After contributing a record £713,310 last year from its political fund to the party, the union is unwilling to accede to the large-scale increase in the unions political levies being sought by some sections of the party.

John Lloyd writes: The TGWU's position was broadly supported yesterday by the Union of Construction, Allied Trades and Technicians, which has backed the mandatory re-election of MPs, the election of party leader by an electoral college and the drafting of the manifesto by the NEC.

The resolution committing the union to support these reforms, which was debated at the union's biennial delegate conference at Bourne-moor, was opposed by the executive, which asked for it to be limited. However, it received overwhelming support from the delegates.

The union would have to more than double its present levy of 32p per year to meet a 50p affiliation fee.

## S. Africa wage code row

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A LABOUR demand for a mandatory code making British companies reveal their wages and conditions in South Africa was rejected last night by Mr. Cecil Parkinson, Minister for Trade.

In a written Commons question, Mr. Michael Meacher, (Lab. Oldham West), said a large number of British companies operating in South Africa had refused to provide information on African working conditions as recommended by the ILO Code of Conduct.

He called for legislation to make reporting under the code mandatory.

But Mr. Parkinson told him that of the 100 British com-

panies liable to report, only 19 had failed to do so for the year ended June, 1979, compared with 36 for the previous reporting period. The case for mandatory reporting was thus weaker than it was under the Labour Government.

In another written question, Mr. Dennis Skinner, (L. Bolton), asked the Government to publish the names of 33 British companies who were paying African workers less than the poverty datum line. But Mr. Parkinson said it was not right to publish a list of names based partly on subjective judgment, which might be misleading.

Earlier, the subject had been

raised in the Chamber when Mr. Phillip Whitehead (L. Derby North) said the Prime Minister had a "double personal obligation" to publish the list in view of the involvement of a subsidiary of British Oil.

He also said that reports suggested that Britain's Labour attaché in Pretoria, who advised on employment practices, was to retire and his role would be phased out.

Mrs. Thatcher assured him, however, that the report was wrong and the attaché was to be replaced by someone with the same functions. The facts under the voluntary code were available for inspection in the Commons library.

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David Moss, Executive Director, Barclays Bank Trust Company Limited, Juxon House, 94 St. Paul's Churchyard, London EC4M 8EH.



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## Foreign students 'still applying'

BY IVOR OWEN



Neil Kinnock: sharp attack.

APPLICATIONS FROM overseas students to enter universities in Britain in October are holding up well despite the substantial increase in fees imposed by the Government, Mr. Neil Kinnock, the Education Secretary, told the Commons last night.

He accused Opposition leaders of being a "shill" as some leading academics in attacking the decision to save nearly £100m over the next three years by switching the fees paid by overseas students to a full-cost basis.

Mr. Kinnock reported that by the end of March the number of applications from overseas students was 12 per cent down on last year, when there were four applicants for every place available.

While admitting that the full picture would not become clear

until October, he added that applications for post graduate places were also "standing up very well indeed."

An Opposition motion deploring the increase in overseas students' fees and the damage likely to be caused to British institutions of further and higher education was defeated by 292 votes to 230, a Government majority of 62.

Mr. Neil Kinnock, Labour's Shadow Education Minister, led a hard hitting attack on the increase in fees, accusing the Government of cynically breaking faith with those throughout the world, especially in the Commonwealth, who looked to Britain for educational success and opportunity.

Mr. Kinnock contended that, from September, overseas students in Britain would be faced with a steep increase in education fees in the world.

To Labour cheers, he contrasted the effect this development would have in enabling universities behind the iron curtain to recruit overseas students with the sabre rattling by the Prime Minister against the "red menace."

Mr. Kinnock recalled that the committee of vice-chancellors and principals had protested that the financial effect of the Government's policy would be "devastating" for a number of institutions of higher education.

Mr. Paul Dean (C. Somerset North) made it clear that he was one of a number of Tory backbenchers "not finding it easy to support the Government on this matter."

## Lord Diplock to monitor use of phone taps

LORD DIPLOCK, chairman of the Security Commission has been appointed by the Prime Minister to monitor the use of phone tapping by the police security services.

The appointment of a senior member of the judiciary to carry out a continuous independent check on the interception of communications was promised by Mr. William Whitelaw, Home Secretary, last April, following a Government review of phone tapping procedures.

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| PHI F                     | F.17.20  | —    | —     | 7     | 20.50  | —    | —     | F.165.30 |  |
| PHI G                     | F.160    | 78   | 16.70 | 38    | 17.50  | —    | —     | —        |  |
| PHI H                     | F.160    | 611  | 7.20  | 280   | 9.50   | 136  | 11    | —        |  |
| PHI I                     | F.170    | 777  | 2.30  | 394   | 4.70   | —    | —     | —        |  |
| PHI J                     | F.160    | 1    | 0.20  | 43    | 0.70   | —    | —     | —        |  |
| PHI K                     | F.145    | —    | —     | 39    | 1.50   | —    | —     | —        |  |
| PHI L                     | F.180    | 88   | 0.80  | 21    | 2.90   | 21   | 3.90  | —        |  |
| PHI M                     | F.170    | 394  | 2     | 22    | —      | —    | —     | —        |  |
| PHI N                     | F.170    | 54   | 6.80  | —     | —      | —    | —     | —        |  |
| PHI O                     | F.110    | 25   | 2.60  | —     | —      | 25   | 8.80  | F.111.40 |  |
| PHI P                     | F.115    | —    | —     | 6     | 3.80   | —    | —     | —        |  |
| PHI Q                     | F.105    | —    | —     | ROD   | 1.50   | —    | —     | —        |  |
| PHI R                     | F.110    | 115  | 2     | —     | —      | —    | —     | —        |  |
|                           |          | Aug. |       | Nov.  |        | Feb. |       |          |  |
| BA C                      | 320      | 3    | 5 1/2 | —     | —      | 20   | 7 1/2 | \$25.5   |  |
| BA O                      | 500      | 5    | 1 1/2 | —     | —      | —    | 7     | —        |  |
| SLS C                     | \$120    | —    | —     | 1     | 12 1/2 | —    | —     | \$14 1/2 |  |
| SLS O                     | \$120    | 4    | 2 1/2 | 2     | 5 1/2  | —    | —     | —        |  |
|                           |          | June |       | Sept. |        | Dec. |       |          |  |
| GM C                      | \$50     | —    | —     | 10    | 1      | —    | —     | \$24 1/2 |  |
| TOTAL VOLUME IN CONTRACTS |          |      |       |       |        |      |       |          |  |
| G=Call                    |          |      |       | P=Put |        | 4276 |       |          |  |



# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## POWER

### Motor consumption could be cut

MORE AND MORE technical attention is being paid to the fact that the widely used induction motor is a somewhat serious offender in the matter of energy waste.

According to Simon Relays (ERI) of Sandhurst, which is about to introduce a significant energy saving unit into the UK, the problem centres around the intermittent use of such motors in many applications (a power press is a good example) and the fact that the motor, particularly if it is a re-fit, may be running below full load conditions because it has been overspecified for safety reasons.

A basic fact of the induction motor is that although it is an efficient machine on rated full load, at anything less the efficiency drops off; this is basically because the unit is still connected to the full mains voltage whereas a weaker magnetic field from the stator would do the job just as well and less current would be taken.

Probably a man called Frank Nola at NASA was the first not only to see this but to set about designing a cheap electronic device to overcome the problem. An era of declining relative electronic costs was also on his side.

The unrequired current through the motor is dissipated as heat and has to be paid for, the bill increasing the longer

the unit runs on less than full load.

The device invented by Nola in effect examines the extent of the mechanical and adjusts the input voltage to suit; it performs the task moment by moment and the input adjustment is instantaneous. Interestingly, Nola was forced to think in these terms to cut down the power supplied to items such as pumps and fans in spacecraft and later saw the prospects of applying the idea industrially.

Pay-back time for the user could have been a problem for any designer who thought along these lines in the past, but modern electronics costs indicate a period of three years in all but smaller machines.

Instantaneous detection of the load percentage is achieved by a circuit which continuously looks at the phase angle between voltage and current, the angle increasing as the load decreases. This signal is then used to reduce the voltage applied to the motor. Although the pulse techniques used can distort the waveform of the line current taken, the effect seems unlikely to be any worse than that of a TV set and in any event the company could undertake harmonic filtering if necessary.

According to an article in the U.S. journal *Electrical Energy Management*, which uses A.D.

Little figures, about two thirds of the electrical energy generated in the U.S. is consumed by motors (although they are not all induction motors), a staggering 1100 bn kilowatt hours per year. Some 90 per cent of this is industrial, the remainder driving home appliances.

The equivalent oil consumption is six million barrels daily, so that even one per cent saving amounts to 60,000 barrels daily. The figures for the U.K., although over one order less, nevertheless have the same implication.

But there are clearly prospects of savings well in excess of this and when motors are used for any length of time, on no load (it often happens in machine tools, for example) savings in the 40 to 60 per cent bracket, applicable at those times would translate to perhaps the five to ten per cent region overall.

In this country Simon Relays, 2 St. Michaels Road, Sandhurst, Surrey, is distributing the device which physically is not much bigger than a cigarette packet. It anticipates both directly supplying and negotiating manufacturing by other companies.

Production of single phase units started at the end of last year in the U.S. where some 100,000 devices have already been sold. In the second half of this year a three phase unit now under development will be launched.

Already the unit is developing something of a pedigree in the UK where it has been examined by Exeter University, who had no adverse comments that were serious, by EE, and by "a very large chemical company" that obtained better results than it expected.

As electricity prices continue to soar, there seems little doubt that the unit, protected by a NASA patent, will meet with success and one suspects, might well appear in due course in other designs that will produce the same results.

GEOFFREY CHARLISH

## INSTRUMENTS

### Senses the flammable gases

GAS MONITORING equipments for sensing flammable gases in hazardous areas and also able to detect hydrogen sulphide and oxygen are available from Euro Scientific of Parkstone, Poole, Dorset BH15 3PF (0202 735485).

These units, which are approved to BASEEFA SFA 3009 1972 and British Standard 4683 Part 2, for Group 2c hazardous conditions, can be mounted in various ways or supplied as battery powered portable instruments. In fixed systems, the remote sensor is cable-connected to the read-out/alarm/control electronics box which contains circuits to drive

the sensor and provide a nominal 4 to 20 mA output.

The company has employed a constant temperature sensor drive for use with the electro-catalytic sensors; the method diverts part of the bead heating current so as to keep bead temperature constant, thereby generating a signal proportional to gas concentration. Zero stability is improved, the bead is protected from burn out at high gas concentrations and levels between zero and 100 per cent by volume can be measured in liquid petroleum gas stores and transportation containers.

Other sensors available are a diffusion cell for measuring

oxygen above or below normal atmospheric and a semiconductor sensor which is specific to hydrogen sulphide.

Known as the 300 series, this equipment in rack-mounted form can provide up to 10 independent channels of measurement in a common test/readout module occupying only 50 mm of rack height in 19 in (483 mm) racking.

Each channel module can provide automatic alarm and control functions at two pre-set levels. This version is aimed at the petrochemical and offshore industries, but there are two other simpler fixed versions and a portable unit.

## COMPUTERS

### Lessens the risk of error

COMPUTER PROGRAMMING language Pascal, subject of a good deal of comment in recent times, is making an appearance at Computerline, the Weybridge multi-access bureau, which claims it will be the first professional bureau to provide facilities for developing and running programs in the language.

Plessey, with which Computerline is associated, has acquired the Mark 2 system of Pascal from Queen's University, Belfast, and to make the programming task especially easy Computerline has produced a new interface for both interactive and batch use.

A number of simplifications and clarifications result from the use of Pascal, says the company. The language contains 35 words which have specific unchangeable meanings but there are another 70 that can be initially pre-declared to provide common types of operations.

Be in control with

**THORN**

**AUTOMATION**

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Controls for industry

The total of 105 should be compared, says Computerline, with the lists of over 250 key-words with which users of other languages have to become familiar.

The language's structure, including sub-ranges and symbolic values, not only enhance documentation, speed and space, but also provide in-built safeguards.

For example, if the word "out" is one of the declared words, Pascal will define the appropriate range of sub-numbers zero to 23 so that any attempt to assign a number outside this range will be signalled as an error.

More from the company at Station Road, Addlestone, Weybridge, Surrey KT15 2PW (0923 49288).

### Clock is easy to see

READABLE AT distances in excess of 20 metres and suggested for use in offices, laboratories, control rooms or large public areas, is a timepiece with a two-inch-high six-digit display, available from Wharton Electronics, 42, High Street, Princes Risborough, Bucks (08444 3849).

It uses a high-stability quartz crystal time base to provide a typical in-service accuracy of better than two seconds a week independent of mains vari-

ation and incorporates rechargeable batteries which enable timekeeping to be maintained in the event of mains failure.

The two-inch-high LED display features an automatic brightness control for various ambient light conditions. The clock is suitable for wall-desk or console mounting, and can be provided with a security lock to prevent unauthorised tampering.

## COMPONENTS

### Works like a shuttle

A VALVE intended for systems where two inlet flows are to be directed, alternately through a common outlet port has been put on the market by Hydraulic System Products, Queensgate House, 23 North Park Road, Harrogate HG1 5PF (0423 509661).

The flow of oil through either inlet port moves a piston to the opposite end of the valve block, automatically isolating the alternate inlet and directing flow to the outlet.

Four sizes are available with 1, 1½, 2 and 3 ports suitable for flows of 23-113 litres per minute. Maximum working pressure of all models is 350 bar.

### Small parts at low cost

SPECIALISING in small and medium runs of polyurethane mouldings including makers' products to customers' specifications, is a new company, Sands Trade Moulders, Crispin Palace, Kettering, Northants.

Company says it can produce, quickly and inexpensively, instrument housing, machine sub-assemblies, industrial components and other mouldings.

In many instances, total production cost of the moulded part will work out to be much less expensive than an equivalent part made by metal casting or fabrication, and the rapid turn-around offered says the company could save a number of problems for a wide range of manufacturers.

### Speaks the answers

A COMPUTER service is now being offered in the Milton Keynes and Northampton area which is aimed at streamlining the day-to-day running of wholesaling businesses by making available a voice response facility.

Blacklands Computer Services, Yeomans Drive, Blacklands, Milton Keynes (0908 607671), is making use of a Rascal audio response unit and a service is already provided for the 350 dealers of a leading European car maker.

The resulting experience has prompted the company to offer the service to wholesalers whose salesmen need only a telephone

and portable terminal to communicate.

By simply dialling the computer's number the salesman has instant access to files, records, costings, delivery times and much other information. Data can be sent to the computer from the small terminal which is similar to a pocket calculator and clips on to the telephone. Replies come back in the form of spoken words or tones.

It is expected that smaller companies will use the service while larger ones might evaluate the idea before direct purchase from Rascal.

### Powerful supercomputer

AN ANNOUNCEMENT has been made by Control Data Corporation of the world's most powerful supercomputer system, the Cyber 205.

This machine is claimed to be more than three times faster than any computer currently available and is able to perform up to 800m operations per second.

Cyber 205 is aimed at large-scale scientific and engineering applications of the kind needed by the oil industry, nuclear power designers, weather and environmental organisations for

real time forecasting, and for ecological studies.

The machine can have a central memory capacity of up to 4m words, a virtual memory capacity ranging to 2.2 trillion (million million) words, combined vector/scalar processing, both 64 and 32-bit arithmetic operations and up to 16 input/output ports each able to handle 200 megabits per second, giving a total input/output bandwidth of 3.2mb/sec, the highest in the industry.

Control Data is at 179 Shaftsbury Avenue, London WC2 (01 240 3400).

## TRANSPORT

### Reduces brake testing time

PROMISING TO keep up with the speed of assembly work on the modern production lines of the motor car industry is a range of vacuum testing and pressure filling plants for car and transport brake systems introduced by Leybold-Heraeus, 16 Endeavour Way, Burnside Road, London SW19 (01-947 9744).

Common feature of the plants is that the circulating brake fluid is regenerated during each cycle. Degassed and demulsified, the brake fluid is

pressed into the brake system and then sucked off by vacuum. A two-stage rotary vane pump evacuates the brake system via the brake fluid tank, and a check for major leaks is carried out during the evacuation process.

When the system has been evacuated, there is a further check for minor leaks, says the company, and if the results are satisfactory, the degassed and demulsified brake fluid is forced in to the evacuated brake system via a special adapter

while all the drain nipples on the brake cylinders of the wheels remain closed throughout the entire process.

Main benefits of the system are the elimination of certain operations (such as connecting and disconnecting vacuum lines), simultaneous testing of all brake systems for major and minor leaks, quicker assembly and satisfactory filling of brake systems, and cleanliness at the assembly lines.

This new range of plants is also adaptable to radiator filling,

## HAND TOOLS

### Heavy-duty grinders

ABLE TO be controlled lightly and speedily—even with gloved hands—is a range of heavy-duty angle grinders just launched by Black and Decker, Bath Road, Harmondsworth, Middx. (01-759 2411).

Primarily for industrial use, with respective speeds of 8,000 and 6,000 rpm, one of these angle grinders has been used by West German sculptor, Paul Schneider, for cutting grooves in a 12-ton natural sandstone block for a work exhibited in the grounds of the Funjab

University.

More usually operated in a working environment for industrial applications, the models weigh only 6.2 kg and 6.4 kg respectively, are double-insulated, and minimise operator fatigue by embodying a quiet gearbox and patented shock-absorber system, and a forward airflow, away from the user's face.

Available in either 240V AC or 115V AC form, the SMEA 922 is listed at £129 and the SMEA 923 at £132 (both excl. VAT).

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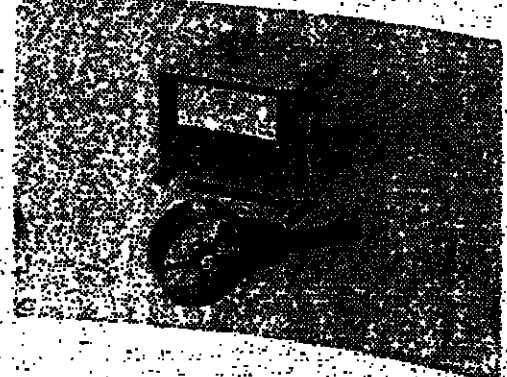
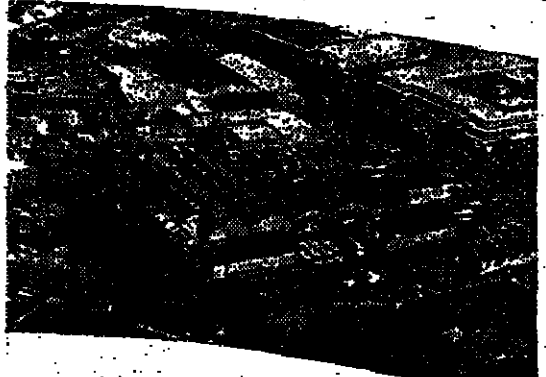
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# FINANCIAL TIMES SURVEY

Friday June 6 1980

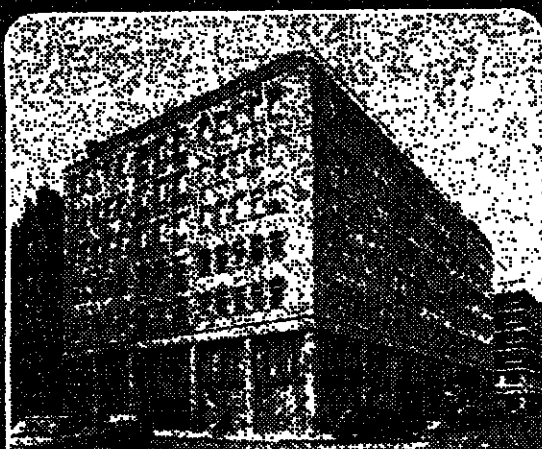
# International Property

The uncertain economic situation inevitably ranks high in any appraisal of the international property scene, but perhaps the single most important trend which characterises the change in the market is the accelerating rate at which the ownership of property is being transferred to pension funds, insurance companies and other institutions which appreciate the potential of property as a long-term investment

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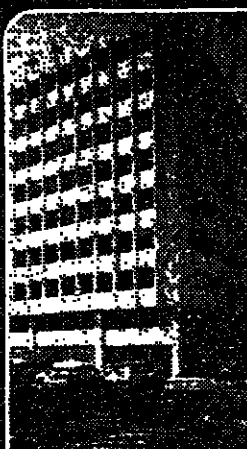


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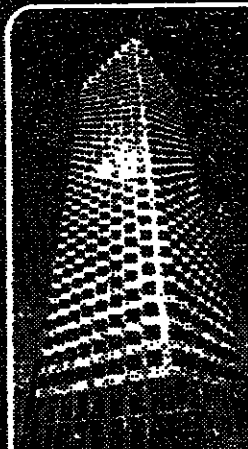


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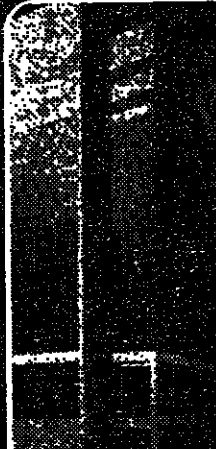


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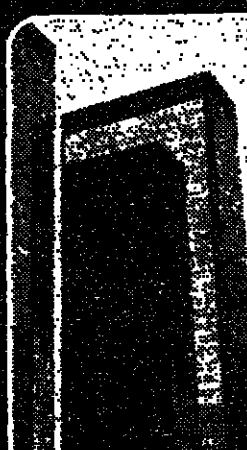


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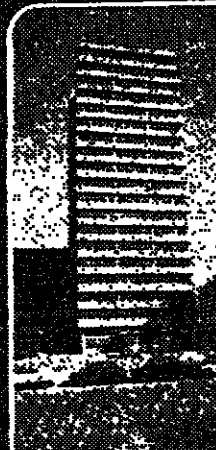


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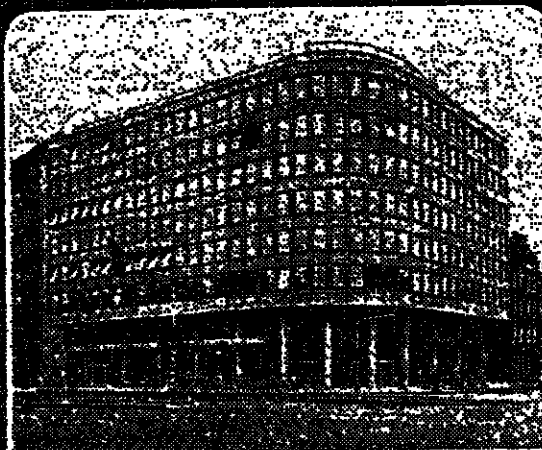


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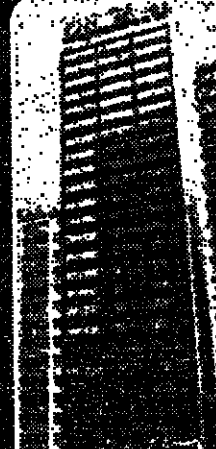
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## INTERNATIONAL PROPERTY II

## An air of caution in world's major markets

## INTRODUCTION

MICHAEL CASSELL

AN understandable air of caution surrounds many of the world's major property markets as the Western economies confront a recession which seems bound to put the virtues and advantages of property development and investment through another testing time.

There remains an underlying confidence about prospects for property, which has recently enjoyed a buoyancy not generally experienced since the early part of the past decade, but there is at the same time a realistic acceptance that no one sector of any economy can completely escape the impact of an

international scene beset by high interest rates, inflation, rising and longer-term unemployment, fluctuating output and uncertain demand.

Inflation, as the Americans are quickly learning, can do more to highlight the benefits of property as an investment than perhaps anything else, though excessive and prolonged inflation can as dramatically undermine the economic base on which demand for property of all types is founded.

The uncertain economic backdrop inevitably ranks high in any appraisal of the current international property scene, but perhaps the single most important trend which characterises the market's changing shape is the accelerating rate at which the ownership of real estate is being transferred to the pension funds, insurance companies and other investing

institutions who appreciate the potential in property as a long-term investment.

In the UK, there has been an active property investment market for 15 years, with demand from a wide range of institutions—some formed specifically with real estate in mind—growing to account for total annual investment in excess of £1bn.

It is a concept which the British—with some very mixed results—were also largely responsible for introducing more widely in Europe and which is now spreading further afield as investors seek an option likely to perform at least as well as more traditional alternatives. In a totally logical step, though one which the entrepreneurial developer will resist, the institutions are moving on to become big developers in their own right.

The United States has in the

past few years seen a rising volume of domestic, institutional investment in the property sector, with pension funds and life insurance companies becoming progressively more committed in the shape of standing properties and new development schemes.

Their involvement remains relatively small in terms of the huge investment resources at their disposal but it is one which now seems guaranteed to grow fairly spectacularly.

With its good performance record and with general rental levels which look remarkably cheap when set against those in other parts of the world, particularly bearing in mind their exclusive rather than non-exclusive nature, it is not surprising that the U.S. real estate market is also fast becoming a centre of major interest on the part of overseas institutions. Faced with the wish to commit substantial proportions of their investment funds (boosted daily by inflationary growth) into property they confront the problem of actually doing so.

## Reluctance

The institutions' continuing reluctance to adjust standards even marginally downwards in the face of a fairly common shortage of prime opportunities has meant that they have been faced with a choice of holding property investment at current levels or looking wider afield.

It is a regular criticism of the big institutions that they adopt a sheep-like response when it comes to investment trends, but although there has undoubtedly been a re-emergence of enthusiasm for overseas ventures the concept has been taken up with widely varying degrees of enthusiasm.

But in the major property markets around the world the pressure from local and overseas funds, all vying for a limited supply of prime investment opportunities, has brought yields down to what are often historically low levels.

As for the property developer, the level of international activity has remained comparatively modest—exceptions like Singapore prove the rule—with recollections of days gone by still conditioning the response of many companies.

Much more important than unhappy memories, however, is the impact of high, international interest rates on current projects, now invariably exposed to minimal profit margins and

questionably unviable on a short-term basis.

With the long-standing surplus of space in many international centres—a legacy from the last world-wide round of construction activity—now almost totally absorbed, there will be a need for a fresh round of development. But for the developer, interest charges are high and building costs are often pushing up at a rate significantly ahead of inflation. There has also been substantial pressure on land prices in some locations, as planning and building controls squeeze the pool of available development sites (though, in the longer-term, they help sustain an upward pressure on capital values).

The uncertainties have not,

however, universally proved too much of a deterrent for developers eyeing a good opportunity away from home and some even find themselves with more projects in hand overseas than they do in their own markets.

It seems clear that any significant fall in building costs and in interest rates will stimulate a fresh wave of development in many major locations and what has inevitably become a cyclical market will enter a new phase.

But it seems equally apparent that the boundaries of what have until now constituted the international property development and investment markets are expanding. More funds certainly are now beginning to

assess the risk and returns from investing in property in developing countries, whether via acquisition of standing schemes in the guise of direct developer.

Developments in the international office market illustrate the potential. While the main markets continue to be the advanced industrialised countries it is evident that those with the fastest growth rate are in the rapidly developing countries of the world, such as Brazil, Argentina, Indonesia, Singapore and Hong Kong.

In countries like these, the demand for space is rising as financial, professional and business services expand and only the most modern facilities capable of accommodating the latest in office technology are generally considered to be acceptable.

Multi-national companies also see the developing nations as having an important role in their strategic plans and, together with the financial institutions, are moving in and swelling the market for rented space.

In the same way, demand for modern industrial space, from which the multinationals can operate high technology businesses, is rising in the developing countries as well as in the industrialised economies. The increasing flow of manufactured and part-manufactured goods between countries has also resulted in the need for improved and larger warehousing facilities close to international transport links. Flexibility of use has become an essential pre-requisite of most modern industrial space, a

trend which has enhanced its appeal in the eyes of investors seeking uninterrupted and growing rental income.

The retail property sector in many international locations is also undergoing what promises to be a major transition. Energy costs threaten to have a significant impact on the pattern of shopping development, not least in the United States where the out-of-town retail complex has flourished on the back of plentiful and cheap supplies of fuel and the Americans' traditional readiness to travel substantial distances.

## City areas

In the U.S., in particular, there is almost bound to be a switch back into central city areas as shoppers become less prepared to make long and regular journeys. The result could be the growth of very large "one-stop" shopping centres and the spread of localised retail outlets with limited stocks.

It is this type of detailed consideration which the institution and developer has, in a market place subject to instant change, to consider far more closely than would have in the past been acceptable.

The move towards internationalism in property has been firmly established, despite the fluctuations in the rate at which it progresses. The growing ability of the foreign-based investor or multi-national company to move finance freely and to remit profits and revenue can only help ensure that the trend continues.



West Germany enjoys a relatively enviable position in the international property market. Above: the substantially refurbished Kaufmannhaus, shops and office complex in central Hamburg

## Outlook for investment remains uncertain

## HOLLAND

MICHAEL CASSELL

THE PROPERTY MARKET in Holland has for six months shown few signs of significant change and it seems likely that present trends will continue until the country's economic situation improves.

The Dutch economy failed to grow between 1978 and 1979 and while policies now in hand are intended to stimulate some growth in 1980 the backdrop is rising inflation (though still modest by some standards) and high unemployment, now common in most western nations.

There are some encouraging pointers, however, not least the fact that wage claims are moderating in the wake of measures designed to keep prices under control. There is also a prospect of rising industrial output during the present 12-month period. The outlook for new investment nevertheless remains uncertain in view of the historically high level of interest rates.

But beneath all the problems, Holland can boast a reasonably sound economy and a political stability which is likely to keep it a useful business base for foreign investors.

One of the country's advantages is its geographical location—well placed to serve the low countries, West Germany, France and Scandinavia, and linked to a motorway network which permits easy movement of goods to most parts of continental Europe.

## New industries

The Dutch Government is anxious to attract foreign investment and has recently been emphasising the need to establish a new generation of high technology industries. From the point of view of overseas investment in property itself, the market clearly no longer supports the type of foreign interest and purchasing which characterised the early years of the last decade, although some fresh buying activity combined with a legacy of old acquisitions ensures a continuing overseas presence in the property world.

The difficulty now confronting any potential investor in Holland is the severe shortage of prime properties. As in some other countries, the scarcity of good investment opportunities has driven the domestic investing institutions overseas, although some observers now believe the early enthusiasm for foreign ventures has begun to die down. Others feel, however, that Dutch fund managers will continue to diversify their portfolio into selected overseas markets, for example in the U.S. and West Germany.

The domestic investment market is strong in terms of pension fund interest and some overseas investors are finding opportunities in reversionary shop deals which tend to be undervalued by the local funds.

But while the local picture for institutional investors is buoyant, corporate and private investors have to contend with a less favourable tax position, and as a result demand from

these sources tends to be weak. Some localised and special situations can, however, be profitably identified for individual investors.

Despite the rise in interest rates, the investment market has remained fairly healthy and there are few indications that any of the major Dutch funds or other local investors are deciding to withdraw, even temporarily, from the market.

According to Savills, the UK agent with an operation in Holland, the domestic market has seen a slight falling off in demand for industrial investments (though significant letting activity is still reported in some major industrial centres) but offices and shops continue to find ready buyers.

## Portfolios

Savills says: "We believe that some of the funds will over the next year be reassessing their portfolios and we think it is likely that a steady flow of positions will come forward on to the market, albeit that very few of them will be prime."

"If bank borrowing rates remain high, obviously the attractions of sale and leaseback may make themselves felt, and indeed there are signs of this today."

With the supply of first class commercial investments extremely limited, yields are low, although the situation has eased somewhat over the last six months in the wake of higher borrowing rates.

For prime shops, yields now stand at around 5½ per cent (up to 8 per cent for secondaries), while for offices the figure is around 5½ per cent (up to 8 per cent for secondaries). Industrial property yields range from about 7 to 8 per cent (8½ for secondaries).

In a review of the Dutch market, agent Richard Ellis says it currently provides "some thing of a mixed bag." In centres such as Amsterdam, for example, there is a severe shortage of good quality office space whereas Rotterdam has a surplus. Some localities within the most prosperous Randstad region need new development, but deterrents and controls make it more difficult to develop commercial property for the letting market, which has emerged in the past two decades.

In addition, traffic problems in the older towns make some central areas less attractive to both office employees and shoppers, which in turn sends occupiers elsewhere for commercial premises.

Of the three principal property sectors, the industrial and warehousing market (largely concentrated in the Randstad, where prime rents are now between £1 80-80 a sq m) has been the first to reflect the lack of recent growth in the Dutch economy, though demand for smaller units of space (500 sq m or less) has been buoyant.

The Dutch Government provides a wide range of incentives to encourage industrialists to move beyond the traditional areas, notably in the north and Groningen, where investment premiums are available. The longest established incentive is the regional investment premium, available to the industrial or service sectors if they invest in economically weak areas. Aid is available for companies which move outside the

Randstad, while the selective investment regulations introduced in 1975 impose a levy on investments in the western and central parts of the Netherlands.

In the shops sector, retailers are feeling the impact of rising unemployment and wage controls, while competition between major outlets is becoming intense as they seek to spread their overheads by raising turnover, even at the cost of reduced margins.

The large cities continue to attract retailers with first class covenants, and competition has ensured that rentals have continued to rise, although interest has grown in large, new shopping centres on the edge of towns or out-of-town sites.

Prime rents for retail space in Amsterdam now stand at around £1 500-1,600 per sq m (Kalkverstraat), though some units are attracting rentals of up to £1 200. Average rents in The Hague and Rotterdam are about £1 200.

In the office sector, demand for space over the last year has been strong and rental growth has grown significantly, a trend which seems likely to moderate. In Amsterdam, vacant offices have been hard to find and occupiers have to some extent been deterred by additional controls on vehicular access to the central area.

Restraints on new building and renovation continue to prevent any significant new supply of space in the city centre. Accommodation is being left vacant, however, by occupiers

moving to suburbs such as Diemen and Bijlmermeer, where substantial development continues, and this trend could lead to some weakening of central rents which currently range downwards from £1 360 a sq m for prime space.

## Over-supply

The Hague area displays signs of an over-supply of office space, even if only in the short-term. The market is being affected by reduced demand from Government Ministries, but continuing interest in central area offices from international companies is helping to offset lower take-up by the public sector. Rents per sq m now stand at around £1 250-275.

In Rotterdam, the developments which in recent years have created a surplus of space are steadily being taken up but the considerable over-supply of modern office accommodation is unlikely to be greatly reduced in the short term, although rental levels are being maintained in an active market. Rents are around £1 225-250 on average.

As for development prospects, activity is dictated by the high level of interest rates and construction costs. In addition, the developer has to contend with additional charges if he intends to build in the most favoured locations. A shortage of central area prime sites where development will be permitted is also forcing up the price of land.

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## INTERNATIONAL PROPERTY III

## Prosperity being maintained

## WEST GERMANY

CHRISTINE MOIR

ESTATE AGENTS' reports on the West German property market over the past six months are more bullish than they have been since the halcyon days of the early 1970s. The first to proclaim the new decade was Weatherall Green and Smith, which, late last autumn, declared: "Scars from the economic down-turn of the mid-1970s are fully healed."

More recently, Richard Ellis said that "1979 proved to be the best year for the German property market since the boom days of the early 1970s." Jones Lang Wootton's latest detailed study of Frankfurt also declared "a remarkable turnaround" and anticipates "that rents could rise dramatically in the next few years."

The economic background to this confidence, however, is not unqualified prosperity. Since last year, when we noted that inflation through 1978 had been running at 2 1/2 per cent, that level rose to 4 per cent last year and is forecast to reach 5 per cent this year.

For the first time in 15 years, there was a balance of payments deficit which could double this year to DM 18m, as oil prices continue their inexorable climb and imports consolidate their position as the result of the high international value of the Deutsch Mark during the latter half of the last decade.

Interest rates, too, have been raised significantly in the past 12 months as the West German authorities have followed the new internationally popular route of monetary control of inflation.

Long-term mortgage finance, available as low as 6 1/2 per cent at one period last year, now costs about 9 per cent—high by German standards. It is also less than easy to obtain as a result of some tightening by the authorities on the banks' access to certain avenues of credit.

But these factors are relative and the West German economy still remains the envy of the industrialised world with a real rate of growth forecast for the Gross National Product as it has been for the past five years.

Genuine prosperity, in short, is being maintained—although the underlying "indicators suggest that optimism needs to be salted with caution, at least short-term, until the anti-inflationary programmes can be fully evaluated."

The picture is certainly very different from the early years of the last decade when foreign (particularly British) developers and investors flooded the market with schemes based on euphoric extrapolations of historic growth patterns with scant regard for potential downturns.

The lessons have been learned; the penalties paid; caution underlines current forecasts. The over-supply of the mid-seventies, which followed the development hysteria of 1970-73, has now generally been absorbed although there are still marked variations between different cities. Frankfurt, Düsseldorf, Hamburg and Munich making the running. In these towns, development is now lagging demand.

JLW's assessment of the Frankfurt office market forecasts a take-up rate of about 150,000 sq metres this year (slightly higher than for 1977, the peak of the last five-year period). On this basis, with

about 200,000 sq metres on the market, JLW believes there is about 1 1/2 years' supply of space in the banking sector, less than a year's worth in the "west end" and not more than 1 1/2 years' worth in the rest of the central area.

This imminent shortage underlines the progress made in office rents during last year which is certain to be consolidated in the current year. Prime rents reached their peak—DM30 per square metre per month—in 1973; until early last year, the trend from there was nothing but downwards. Now, agents are talking of "well over DM-25" for space in the banking sector, with some prime general commercial locations able to claim the occasional DM 30. Hamburg has also had an occasional letting at this level, while in Düsseldorf prime property has recently been let at around DM 25.

## Warning

Richard Ellis does warn, however, that the short-term shortage currently a feature of the forecasts, could turn round into over-supply within a couple of years, in certain regions.

In Munich, for example, the agents point out that supply is expected to rise tenfold in the next two years to reach 79,000 sq metres. Though about half of this could be taken up by the Bavarian authorities, the remainder may be enough to subside the market. In Frankfurt, by contrast, central area sites are difficult to find and tight planning control on re-development intensifies the problem.

If the office sector, then, is looking healthy, the shops sector is even more buoyant. Although some British developers did undertake shopping schemes in Germany in the early

seventies, the overall new space created was negligible. Since then, the pattern of shopping has been changing steadily and within the past two years a new trend has become clear.

The first and still primary impact was the authorities' conversion to the attractions of pedestrianisation. At first, the improvement in turnover in such areas was slow but in recent years retailers have been paying substantial premiums to get into pedestrian areas where turnover can rise by as much as 40 per cent within a couple of years. Not even the likelihood of significantly higher rents and service costs expected in the near future, is a deterrent.

Secondly, as JLW indicates, "from a position where most shops were in family hands, there are now an increasing number of multiple chains which are expanding on a national basis, while many local retailers wish to expand regionally."

Richard Ellis puts some of this change down to the success of the pedestrianised central areas which have helped "promote comparison shopping in the main city centres often at the expense of smaller retailers serving local communities. Evidence suggests that this... has encouraged the spread of chain store outlets in most of the principle towns."

Agents are united in believing that the retail sector offers excellent prospects for both investors and developers. For the former, the attractions must lie in the outlook for rental growth as initial yields are already as low as 5 per cent.

For the developer, the attraction is that 10-year money at 9 per cent appears to provide a comfortable margin despite extremely high construction costs of perhaps DM 350 per cubic metre, on Richard Ellis's estimates.

Changing patterns are also a feature of the industrial market where the traditions of owner-occupation are giving way to the concept of rented premises, the accepted system in Britain. This is one area where UK developers did show some caution in the boom years, so the supply of speculative space has been limited.

Rents are of the order of DM 6-7 per sq metre per month in the best areas near the main autobahns, railways and ports and demand, especially for warehouses, was particularly marked, last year. The prospects for well-located estates are now beginning to impress even local German investors who have traditionally resisted them on the grounds that industrial property suffers first in a recession (a theory, by the way, disproved in Britain during the 1974-76 recession where industrial rents showed strong defensive qualities).

## Potential

However, there is a snag for developers noted by all the leading agents. Well-located sites exist "in abundance," which, if not "prime, prime"—as one agent described them—are good enough, if developed in any number to have a substantial impact on prime demand and therefore on future rental growth.

This conundrum—that new development is needed, but that the delicate balance of demand-and-supply could be upset remarkably quickly by over-development—is providing a considerable amount of work for some British agents. Their strength in demographic and geographic studies, in terms of site locations, is being tested by the new breed of professional German agent, but still gives them a competitive edge.

This edge is of particular note where foreign investors are concerned and it is they who are expected to make the running in the investment sector this year. Competition from German investors will remain keen—they have both the real prosperity and the tradition of investment—but the locals are somewhat deterred, at present, by what they regard as high interest rates growing inflation and tight yields. Foreigners, on the other hand—and this includes UK funds, now that Exchange Controls have gone—see the international market in relative terms; and Germany is enviously attractive, on that basis.



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## Increase in confidence

## FRANCE

CHRISTINE MOIR

IN THE PAST 12 months, the French commercial property market has displayed a quiet strength. Overall, it has not quite fulfilled the promise of the early part of 1979 when the indicators were signalling a possible mini-boom. However, it has shown considerable resilience in the face of worsening economic conditions.

France is suffering from the international recession which is producing a marked deterioration in the balance of payments position, a high level of

unemployment (10.6 per cent at the year end) and interest rate levels kept high as part of Government policy to combat inflation.

The economic background for property, therefore, does not augur well and the political arena, too, is providing less stability in the short-term. As Richard Ellis succinctly notes in a recent review: "The political temperature is tending to rise as the 1981 presidential elections approach."

Nevertheless, the strength shown as conditions weakened last year is comforting for the future and most agents report a fair degree of confidence. Mr. Martin Hayter at the Paris office of Bernard Thorpe, sums up the atmosphere: "We are not ebullient, but neither are we morose."

The sector's strength continues to reside in two factors of tight development control and the traditional predominance of Paris. With no commercial new building permitted in central Paris, pressure on existing space maintains a permanent growth trend in office rents which, although slowed down by the general economic conditions still manages some pace.

This time last year, prime office rents in the 8th Arrondissement were said to be about 10 per cent higher on average over the comparable period.

The two-year view is that this pace has slightly increased and some agents are talking of a 25 per cent increase since the Spring of 1978. Jones Lang Wootton, for instance, is now talking rents of between FFfr 1,000-1,400 per square metre in the best parts of Avenue George V, avenue Marceau, avenue Montaigne, avenue Hoche and the Champs-Élysées.

The acute shortage of prime space has had its inevitable impact on the best secondary locations such as Gare de Lyons, Tour Maine-Montparnasse and Boulevard Haussmann. Mr. Hayter, for instance, points to a 50 per cent increase in rents in such positions over the 18 months to a current best of around FFfr 900 per sq metre.

Curiously, these movements have not coincided with any marked increase in the level of take up of space which remains fairly constant at around 500,000 sq metres for the Greater Paris area—60 per cent of which is in the central area and a further 25 per cent or so in the Western suburbs and La Defense, according to JLW.

Supply is a more delicate assessment as a simple total of empty space is misleading. This is because of the high proportion of new building underway in the La Defense complex which is either for owner-occupation or pre-let. However, the forecasts made in 1979 that all freely available space could be absorbed by early next year have now been revised.

Most agents are now warning investors that present patterns of rent increases could be dampened by space coming on to the market as a result of relocation programmes by major companies.

The move by Rhone Poulenc to La Defense in 1982 is a case in point. The company is planning to vacate six central Paris office blocks with a total lettable area of 40,000 square metres. Refurbishment of the units might take a further two years but the potential supply thus offered is already over-hanging the market to a degree.

Rhone Poulenc is not the only company to have made such a move. At the end of last year, Saint-Gobain-Pont-à-Mousson vacated 12,000 square metres. Commercial decisions to relocate are being enforced by the increasing insistence of the political office relocation bureau which has been given considerable powers to encourage the growth of the New Towns in the Paris ring. More and more, companies are feeling the pressure from DATAR to move to these planned dispersal points.

It would take only one or two further sizeable decanting operations for supply in the central area to turn round into

a sufficient surplus to check the growth trend in rents for large blocks.

Where shortages are seen as generally continuing is in small suites. Demand for units in the 50-500 square metre bracket is permanently unsatisfied. For some time now this has been expected to lead to a development of a strong refurbishment sector, but so far it has not materialised.

One reason given is that suitable buildings simply do not come on to the market frequently or in sufficient numbers. Foreign institutions, in particular, are said to be keen to undertake such work. However, a more cynical view is that landlords of existing older suites, seeing the continuing strength of rents for unmodernised premises, are impervious to the attractions of future premiums due to refurbishment when the refurbishment programme necessitates a void period of two years or more.

The market for investment property generally seems strong but again caution is needed in assessing yield levels as the number of actual deals carried out is small.

The event of the year was, of course, the £55.5m sale of the Rhone Poulenc buildings. Richard Ellis arranged the transaction as a tender offer, obtaining Banque Arabe et Internationale d'Investissement (acting for Kuwaiti investors) and Banque de Privée de Gestion Financière, a price which reflected a yield of between 7 and 7 1/2 per cent. The strength of that yield is underlined by the fact that the properties are semi-speculative, given that Rhone Poulenc is vacating them in little over two years.

## Attractions

La Defense, which was slow to establish itself during the 1970s has now come of age and yields there match the best obtainable in the centre. The proposals to increase the overall area of the project to 1.2m square metres—about 40 per cent—both underlines how established it has now become and the continuing attractions of the area for investors.

The shops market, on the other hand, remains largely a fragmented sector dominated by non-institutional special purpose sales. The removal of rent controls—formerly new leases could not be set at rentals more than 2.35 times the rent in the first year of the preceding lease, nine years earlier—has not had the effect first hoped for.

Investors continue to be put off by the tight planning controls maintained over shopping. However, changes are in the pipeline which could gradually open up the market. At present, change of use is virtually impossible to obtain and the definitions of use are drawn so tightly that, for instance, a tenant selling leather shoes cannot extend his range to leather handbags without paying a significant premium to the landlord for the change of use laid down in the lease. A new piece of legislation colloquially known as the "despecialisation" bill, expected in the late autumn, could loosen the rules and eliminate some of the traditional premium racket.

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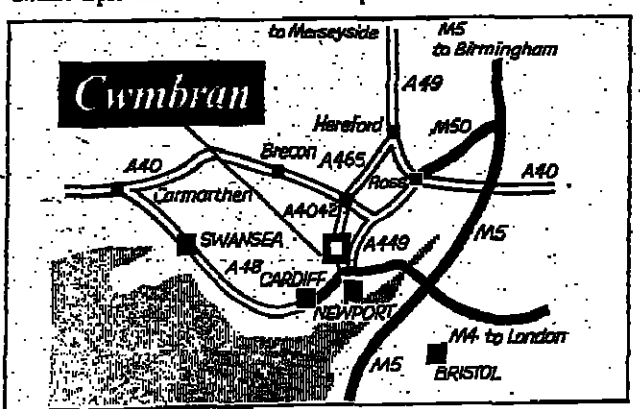
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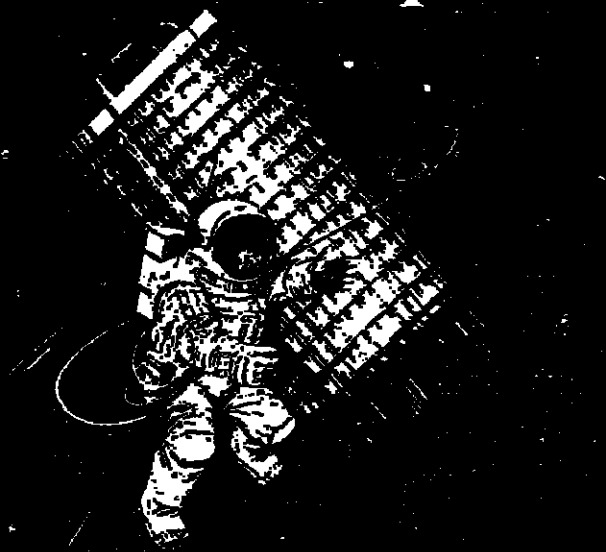
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## INTERNATIONAL PROPERTY IV

# Long road to recovery

### BELGIUM

ANDREW TAYLOR

AN AILING national economy and increased international pressure on company finances seem likely to delay further the long-overdue recovery in Belgian commercial property values. World recession has occurred just when it appeared that in some sectors the vast over supply of accommodation in the major office property market of Brussels was approaching manageable levels, and some pundits were forecasting that space shortages were likely to emerge in the near future.

The timing of recovery will now depend upon the length and depth of the recession and the impact this will have on both supply and demand.

In Belgium, as in many other countries, economic pressures will act both for and against commercial property investment over the coming months. Financial strictures will limit the supply of new buildings likely to come on to the market but at the same time will hit corporate investment intentions and reduce tenant demand.

Political uncertainty in Belgium and new legislation affecting commercial property taxation, rent control and stricter planning controls are further factors likely to inhibit new development in the country's major property markets of Brussels and Antwerp.

But while the growth in the supply of new offices seems likely to remain restricted—with building work limited almost entirely to new projects being carried out on behalf of Government and EEC authorities—a major question mark remains over the extent to which existing space still hanging over the market will be taken up by hard-pressed industry and commerce.

The level of business failures in Brussels rose sharply during the first quarter of this year, reflecting the growing economic pressures. In February alone there were more than 100 bankruptcies—13 per cent more than in the corresponding month last year and 52 per cent more than in February 1978.

Meanwhile, Brussels continues to feel the impact of an over-supply of office accommodation unsurpassed in any other major European centre over the past five years. At the height of the city's problems there was estimated to be around 1.1m sq. metres of post-1965 office accommodation either lying empty or soon to be completed.

With virtually no new development since 1975, this situation has gradually improved, and by the end of last year only around 300,000 sq. metres of post-1965 offices remained vacant. In some sectors of the market—for large space of 5,000 sq. metres upwards—there were signs that shortages could emerge in the near future.

There remains some confusion, however, as to the exact amount of space still available in Brussels. British agents Knight Frank and Rutley estimate that the total supply of purpose-built offices vacant in the city is still around 400,000 sq. metres. The true level of

tenant demand for modern accommodation is also uncertain.

Figures produced by Richard Ellis, another leading firm of British agents operating in Brussels, show that at the end of last year 290,000 sq. metres of post-1965 accommodation remained on the market—15,000 sq. metres more than at the end of 1978 despite the disposal of some 100,000 sq. metres of offices during the year. This contradiction arose because several companies in moving from one office building to another reduced their space requirements in line with staff reductions.

### Key factor

The high cost of salaries in Belgium has been a significant factor inhibiting tenant demand, particularly from overseas companies which have no overriding operational need to locate in Brussels. Some of these have recently been attracted to other European centres like London, where, although rents are substantially higher, labour costs are much lower.

Sheraton Management Corporation, which controls Sheraton hotel operations, in Europe, Africa, the Middle East and India, last month announced that it was moving its headquarters from Brussels to Denham Place, Buckinghamshire.

According to Richard Ellis one in ten large foreign enterprises in Belgium halted operations during the five years to 1979. American investors in particular found that the dollar's weakness relative to the Belgian franc had added to already high labour and material costs.

Other international companies, originally attracted to Brussels as the administrative centre of the European Economic Community—and by its excellent road, rail and air links with the rest of Europe and its large pool of skilled multi-lingual staff—have also come to question the wisdom of choosing Brussels as an office centre.

The country's practice of indexing wages to price inflation, which expected to rise to an annual rate of around 6 per cent this year—high by Belgian standards—will only add to corporate pressures. At the

same time domestic interest rates are at record levels. The National Bank discount rate was raised to 14 per cent in March this year as the Government attempted to stave off a devaluation of the Belgian franc.

Devaluation in a country so heavily dependent on imports, particularly oil, could effectively wipe out the forecast of two per cent growth in Belgium's Gross National Product this year—if that target has not already been brought into question.

Political uncertainty, with Prime Minister Mr. Wilfried Martens finding himself back in office at the head of a new coalition just six weeks after his resignation, has only served to add to the internal confusion of a nation still seeking resolve the differences between its French and Flemish-speaking communities.

The long-planned regionalisation of a number of administrative functions has been a constant but uncertain factor within the Belgian office market. The plan for separate Brussels, Flemish and Walloon administrations would certainly assist other centres like Antwerp and Liege and could also have created demand for extra space in Brussels as well. But these proposals still appear a long way from succeeding.

The growing space needs of government and EEC ministries and departments provides several areas where tenant demand seems likely to increase significantly, but to what extent this will be a major factor in the market also remains questionable.

Of the 500,000 square metres of new property thought by Richard Ellis to be under construction or about to start in Brussels at the beginning of this year, the vast bulk had already been earmarked for occupation by Government, EEC bodies or major Belgian institutions already established in the capital.

According to agents St. Quintin SA, the private sector could suffer when this building programme is completed "with several major buildings, particularly in the Quartier Leopold, becoming empty" as public sector tenants vacate premises to move to their new offices. The agents say, however, that the prospect of the release of properties presently

occupied by Government bodies will further deter the private sector from any significant new development.

With the replacement cost of office developments in Brussels running around 40 per cent above current market values, new speculative development would seem unlikely for some time.

However, as the oversupply of accommodation in the city is absorbed this disparity between market values and replacement costs should look increasingly attractive to property investors.

Rents for top office space in Brussels are still around Bfr 3,000 a square metre, with rents of Bfr 2,250 a square metre achieved on the recent letting of 11,750 sq. metres of offices in the Madou centre to a State institution and a similar rental being agreed for 7,000 sq. metres at Marnix Egmont, both of them buildings developed by English Property Corporation, the Belgian subsidiary of

The incidence of three-year break clauses in leases has been a further factor inhibiting office rental growth despite the indexation of rents in Belgium.

According to agents King and Co. the industrial property market has not suffered as badly as the office sector from oversupply of accommodation.

It says that shortages of industrial/warehouse space has begun to emerge around Zaventem airport, the most desirable area for light manufacturing and warehousing. But even here the agents say space is slow to move although the underlying fundamentals of the Zaventem market remain good.

Elsewhere prospects for industrial property tend to look less bright with potential occupiers bound to be deterred by the poor business climate.

Meanwhile, given the outlook for the economy and the fundamental imbalance between property supply and tenant demand, investment yields in Belgium have been higher than those prevailing in the UK and other European markets.

According to Richard Ellis, prime office yields are still around 6.25 per cent, industrials at 8 per cent and prime shops 9 per cent. This situation seems likely to continue for a little time yet but the scope for recovery remains. Just when this will occur is another question.

## Eyes on EEC entry

### SPAIN

TERRY GARRETT

DISCUSSION ABOUT the Spanish economy centres on two main features: rising unemployment and an advancing inflation rate.

That may not seem peculiar to Spain, but the country faces these problems from a weak base. Since 1976 Spain has experienced increasing depression. Domestic demand continues weak and new investment stagnating except for the energy sector.

Rapidly expanding public sector spending is compelling the Government, led by Sr. Adolfo Suarez, to consider cutting pressure on the private sector. On current projections, the public sector deficit could be over Pta. 400bn. Interest rates may increase and the Bank of Spain may raise the amount banks are obliged to place with the Bank in order to restrict the money supply.

It is hardly the scene for buoyant property investment or demand. However, two factors may, in the longer term, have a favourable impact on the Spanish property market.

There is the possibility of regional autonomy which would create 14 regions with separate parliamentary rule. Such a new bureaucratic organisation would certainly have an impact on demand for office space.

Stimulus

The second factor is Spain's application to join the EEC, which if successful would come about in three years. This could lead to an increase in demand from overseas companies wanting to set up shop in the country and perhaps an extra stimulus to demand from domestic manufacturers when potential for export to other EEC members opens up.

But before more overseas multinationals are attracted to Spain it will have to try to control its inflation rate. This is around 16 per cent and could be higher by the year end, compared with 15.75 per cent in 1979.

and a further 278,000 square metres is under construction. Most of the floor space is already occupied. According to Ellis, 149,000 square metres is for sale and a further 109,000 square metres is for rent.

Many new offices under construction will go to owner-occupiers, but some will be aimed at the rental market—an area showing considerable signs of growth. Much of the space available for rental is concentrated in the north of the city, in particular two large sites.

### Office centre

In Madrid the main office centre is around the Paseo de la Castellana and the Avda del Generalísimo. Chestertons S.A., an international property consultant, suggests the following as fairly typical rental levels in that area for modern air conditioned property. Office space could cost between Pta. 1,200 to Pta. 1,350 per square metre per month, added to such extras as a 10 per cent service charge. Car parking is hardly cheap. Rental levels are between Pta. 5,000 and Pta. 7,000 per square metre a month.

For those wishing to buy, office space could work out around Pta. 150,000 and car parking Pta. 700,000-1,000,000 per square metre.

In recent years there has been a steady take-up of office space though this year the figure will probably be particularly high—around 180,000 square metres—because of new offices being taken on by Banco de Bilbao and the Ministries of Industry and Commerce. Beyond that, new space taken up is likely to be fairly steady for the next couple of years, about 120,000 square metres per annum and some excess space could depress the market.

When considering Madrid, the plan for the capital created 18 months ago, Plan Especial de Madrid, should not be forgotten. As with most development plans, the idea was to provide stricter controls over design and building construction, but so far all it seems to have achieved is a delay in granting building licences, currently difficult to obtain, but formal approval for the plan is expected by the end of the year.

Other factors which must be considered include the legislation brought in at the beginning of the year which changes the base, on which rentals are indexed to inflation. Rentals had been linked to a rental index, but this has been switched to a maximum of 80 per cent of the consumer price index. Another point is that property transfer tax, which now stands at 8.2 per cent on the sale price, is likely to be halved this summer by the new legislation. On the industrial scene, the position is far from bright. The

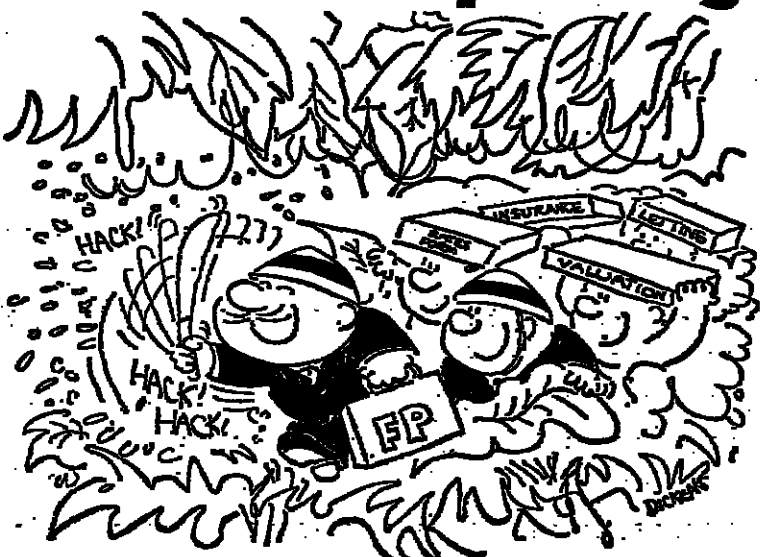
proposals to create the autonomous regions may give some areas a boost. Spain has already identified several development areas where various grants and incentives are on offer to companies to set up new operations. So far these areas have not attracted much extra new business.

In the Madrid area modern light industrial space commands a rental of Pta. 190 per square metre a month. On top of that, attached office space would be available for Pta. 300 a square metre a month. Barcelona is cheaper, with industrial space around the Pta. 160 mark and office accommodation proportionately lower than in Madrid.

Most industrial development, however, is aimed at the owner-occupier rather than the rental market. Prices for industrial space vary according to position and are currently Pta. 12,000-20,000 per square metre.

Even if EEC membership does bring in more multinationals, it is a moot point whether they will be attracted to areas outside the accepted main industrial regions. It is the sort of problem faced by any "development area" though overall EEC membership must be good news. At present Spain is still one of the lowest cost areas in Europe for manufacturing facilities.

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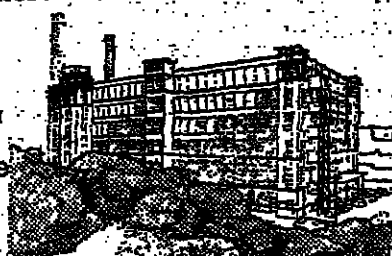
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## INTERNATIONAL PROPERTY V

## Surge of investment in Hong Kong

## SOUTH-EAST ASIA

RORY FERGUSON

THERE CAN be no doubt that the South-East Asian region is becoming a major economic and political force in world terms. Many countries within the region are averaging an annual growth of eight to nine per cent, outperforming most of the great world powers by a wide margin, albeit, from a much lower base.

But there are warnings, nonetheless, that some of the developing non-oil producing countries of Asia are facing a debt crisis of huge proportions. Unable to pay their mounting oil import bills and already in debt up to the hilt to commercial banks, these countries are facing the prospect of massive defaults, or restructuring of their debts.

So, from a property development and investment point of view, the major countries in South-East Asia, such as Hong Kong, Singapore, Malaysia and Japan, are the only ones attracting a great deal of interest in the current economic climate.

Of these, Hong Kong continues to dominate, the greatly improved relations with the authorities in China which has led to sustained business confidence and, in turn, to a surge of fresh property investment over the past year to 18 months.

Probably the factor of most concern is the growth rate of

domestic demand—and hence, inflation. Hong Kong has re-emerged as an entrepot for China's exports which should result in a further narrowing of the trade gap which portends well for the strengthening of the Hong Kong dollar.

The property market in Hong Kong saw a continuation of boom conditions during 1979 and demand for new offices and expatriate style residential accommodation has risen to an unprecedented level, resulting in a steep rise in property values flamed by the current chronic shortage.

The Hong Kong authorities have sought to limit the effect on residential property of these steep rises by the introduction of a fresh rent control, which will limit rent increases to 21 per cent for a two-year period. This new legislation goes a step further than existing controls by including government and company leases as well as individual leases. It will also include leases of any duration thus ending the "short leasehold" type leases.

According to David Royce, of Jones Lang Wootton's Hong Kong office, the demand for first class office accommodation in the central business district and in Tsimshatsui continues to be strong. There is very little space to rent in any of the best quality buildings in the central district.

The next major development to be available for letting is the Gloucester Tower scheme of Hong Kong Land. This will contain some 600,000 sq. ft. and although entirely pre-let it will to some extent relieve the pressure because it will release some space in other buildings.

There is a considerable amount of space under construction and due to be completed during 1981/82. This will include development on reclaimed land at Tsimshatsui East, where a comprehensive commercial area has been planned. Individual sites have been sold at public auction over the past two years and these sites together with four hotels and a number of major office buildings and shopping arcades is expected to be a huge success.

## Phenomenon

One phenomenon of the present market is the keen demand to purchase strata titled floors in prime office buildings. Notably Worldwide House and the Admiralty Centre. Although some speculation has occurred and capital values of the floors in Admiralty Centre have increased from the original sale price of HK\$1,000 per sq. ft. to HK\$2,000 a sq. ft. over a period of 12 months, rents have not yet kept up with these huge rises in capital values.

This is because the prices paid for the floors was based over the gross floor area and to obtain a fairly modest yield on capital, the rents for these floors would need to be around HK\$240 a sq. ft. a year. In fact, at the present time only in isolated cases have rents been achieved in excess of \$180 per sq. ft.

The Hong Kong office of Richard Ellis states that three factors are influencing the development of the retail sector in Hong Kong. One is the development of the Mass Transit Railway and better road communications, which has been

accompanied by a sharp rise in private car ownership, despite Government deterrents.

Second of the factors is the shift in demand away from basic necessities towards consumer durables, such as electrical appliances. And the third is the continuing rise in Hong Kong's population, although this is difficult to enumerate as illegal immigration operates on a substantial scale.

The supply of flat factory space, that is multi-storey space built in that manner because of the shortage of industrial land, built during 1979 was estimated at around 13m sq. ft. A further 12m sq. ft. is due to come onto the market during 1980.

Most of this type of development is now confined to the New Territories with the concentration in areas such as Kwai Chung and Tsuen Wan, the latter an area which will benefit from the extension of the Mass Transit Railway currently under construction.

In Singapore, the market for prime offices continues to be concentrated in two principal locations—the central business district within and around the financial and commercial areas of Shenton Way and Raffles Place and along the fashionable Tanglin/Orchard Road, where there is also the main concentration of tourist hotels and the prime shopping district.

Between 1970 and the end of 1979 a total of 10.3m sq. ft. of offices were developed. In the same period the total annual take-up of offices was on average just over a million sq. ft.

Although the market was in the doldrums with an excess supply particularly between

1974 and 1977, it is estimated that by the end of 1979 there was only just over 100,000 sq. ft. of vacant offices on the market.

This has caused rents to harden: prior to 1978 rents on average for high quality offices was between \$325 to \$328.8 per sq. ft. a year. But rents for prestige offices in buildings, such as the OCEC Centre, are pitched between \$335 to \$37 per sq. ft. a year.

Jones Lang Wootton's Singapore office reckons that in the short to medium term demand will continue at a steady level putting more pressure on rents. Several new developments are planned, but it will be some time before these are completed and the supply becomes easier again.

## Dramatic growth

Tourism to Singapore has grown dramatically over recent years and the completion of the new Changi International Airport will confirm Singapore as the point in the South-East Asia region most capable of handling major movements of air traffic thus enabling it to win the major proportion of stopover traffic.

In recent years the development of shopping centres has been one of the most rewarding and popular forms of property investment in Singapore.

Some property experts there believe that there will be an over-supply of retail space over the next few years. The logical casualties of this over-supply will be those traders in centres which have no anchor traders to attract shoppers and where layouts are confined and congested.

One new scheme which looks capable of attracting huge trade is the Cold Storage Centrepoint on Orchard Road, the seven-storey scheme will have some 750,000 square feet of floor area, two department store groups have taken space including Robinson's, a major local stores group. In addition there will be 350 specialty shops and adequate car parking. J.L.W. are the agents for the huge development.

Malaysia's economy continues to be the envy of many Western countries. The October 1979 Budget introduced wide-ranging cuts in income tax, when the Minister of Finance highlighted the fact that over the past four years economic growth had averaged 8 per cent a year, with inflation at only 4 per cent.

The property sector is healthy and active and most experts there are predicting a very good period for development and investment during 1980. One factor which is helping is that banks are now willing to lend on mortgage for longer terms than previously.

The office market has entirely changed over the past 12 months. A year ago there was an unprecedented over-supply which appeared likely to increase. Since then, the Government has called a halt to its own building programme and is now leasing buildings from the private sector and from semi-Government organisations, such as Bank Pertanian and Bank Rakyat.

During 1979, some 600,000 sq. ft. of offices were let in new and recently-completed buildings and an additional 300,000 sq. ft. was completed by owner occupiers. During 1980, some 800,000 sq. ft. is due to be completed.

## Surprising buoyancy

## AUSTRALIA

RORY FERGUSON

THE LONG, slow recovery of the Australian has left both inflation and unemployment at high levels—and while most forecasters agree that inflation should moderate in the years to 1983, the prospects for unemployment appear less certain. The Government projects a 3 to 34 per cent increase in the non-farming gross domestic product for the financial year ending June 1980 compared with 2.4 per cent in 1978/79.

Despite the recent mini-budget tax cuts of A\$0.6bn, the Government is keen to see the domestic account deficit wiped out in 1980/81. Analysts are forecasting inflation of 10.6 per cent for the year to December, 1980. But wage pressures are building up and the rise in average weekly earnings in 1979 of 9.7 per cent seems likely to be topped in 1980.

Against this background, the property market is surprisingly buoyant. As rents begin to rise sharply after decades of stagnation it is possible for the first time for many years to see a renewal of development activity.

Reports from all of Australia's major cities, with the exception of Melbourne, are remarkably consistent. They indicate a steady absorption of the surplus of new offices throughout 1979 at a rate faster than many property experts had anticipated. Encouragingly, the increased take-up has been largely as a result of demand from the private sector—a fact which may see as an indication of a healthy economic trend.

According to Michael Mahony, a partner of Jones Lang Wootton's Sydney office, the City of Sydney began 1980 with a minimal over-supply of offices of only just over 1m sq. ft.

He recently stated: "If one considers that the average amount of offices let each year for the past ten has been some 1.28m sq. ft. and for the past four years 1.56m sq. ft. a year, it becomes apparent that on past trends the shortage of new office space will now occur before December, 1980, which is almost a year sooner than we had predicted."

Many observers had predicted that the new lettings of the past few years would result in a substantial amount of second hand space being available, but in fact this market has also been strong and at the beginning of 1980 only 600,000 sq. ft. was available.

Significant areas of offices remain unlet in only four central Sydney buildings. Three are very close to one another around the new Stock Exchange in Bond Street, and the other—the MLC Centre, occupying more of a mid-city location on Martin Place. The vacancies at the beginning of 1980 were CBA Tower, some 232,000 sq. ft.; MLC Centre, 208,000 sq. ft.; General Accident Building, 112,000 sq. ft.; and MEPC's Exchange Centre, 112,000 sq. ft.

The Exchange Centre development by MEPC in Bond Street has, in recent years, become one of Sydney's most successful buildings. It is in two components with a 31-storey high-rise office tower, linked to an eight-storey low-rise block.

ance Building—is over 75 per cent let to such well-known companies as Chase Manhattan, Hill Samuel and the Hongkong Bank Group. The smaller building has been let by the leasing agent J.L.W. to the Custom Credit Corporation and it will now be known as Custom Credit House.

An interesting aspect of the present-day market, compared with the situation two or three years ago, is that there are virtually no large areas of space available in the cheaper southern parts of the city. The choice to major tenants is confined to the more expensive space in the heart of the financial centre of Sydney.

Prior to 1979, the highest rental in Sydney was A\$17 a sq. ft. paid by Mitsubishi for two floors of the MLC Centre. But this rent was eclipsed in 1979 when at the first three-year review the top floor of the AMP Centre achieved A\$17.50 a sq. ft. perhaps, significantly, the tenant in this case is another Japanese company, Marubeni. Rents of between A\$18 and A\$32 a sq. ft. are expected this year.

Investment yields for prime central area offices in Sydney are currently pitched between 54 and 7 per cent, compared with between 64 and 74 per cent at the middle of 1978.

## Emphasis

The North Shore of Sydney saw a slight reduction in the total take-up of offices in 1979 compared with the record for 1978, and this reflected the change of emphasis from North Sydney to some suburban areas such as St Leonards, Gordon and even Epping.

Between 1968 and 1980, 73 buildings were constructed in North Sydney with a total lettable area of some 4.7m sq. ft. at the end of 1979 there was 350,000 sq. ft. of this space still vacant compared with 570,000 sq. ft. at the end of 1978. In St Leonards suburb, 47 buildings have been erected over the same period with a total lettable floor area of 250,000 sq. ft. at the end of 1979 there was only 20,000 sq. ft. of that total unlet compared with 30,000 at the end of 1978.

In the Sydney suburb of Chatsworth, 17 buildings have gone up since 1968 with a total floor area of 550,000 sq. ft. there is none of those offices remaining compared with 100,000 at the end of 1978. Other fringe areas of Sydney have seen a total of 24 buildings during the same period with a total floor area of 520,000 sq. ft. of which only 10,000 sq. ft. remains unlet.

The big selling factor in these decentralised locations is that they can offer an organisation a local identity, extensive car parking and, above all, a pleasant working environment. In Canberra, the closely matched supply and uptake of offices which was such a feature of the 1970s is unlikely to change, at least for some years to come. In fact, there will probably be a shortage of new space until 1982. Rents in the seat of Government capital are generally pitched between \$10 and \$13 a sq. ft. depending on the size of the space leased.

Because of the shortage of space the rents set at review dates are likely to be considerably higher than in recent lettings.

in prospects between localities over a million square feet that much of the space is located in

"In this context," the company states, "prudence has to be exercised in selecting investments and developments which will offer sound returns, and in the case of owner occupiers, in choosing sites which will provide the market opportunities and the access to communications and resources to foster the growth and profitability of the enterprise."

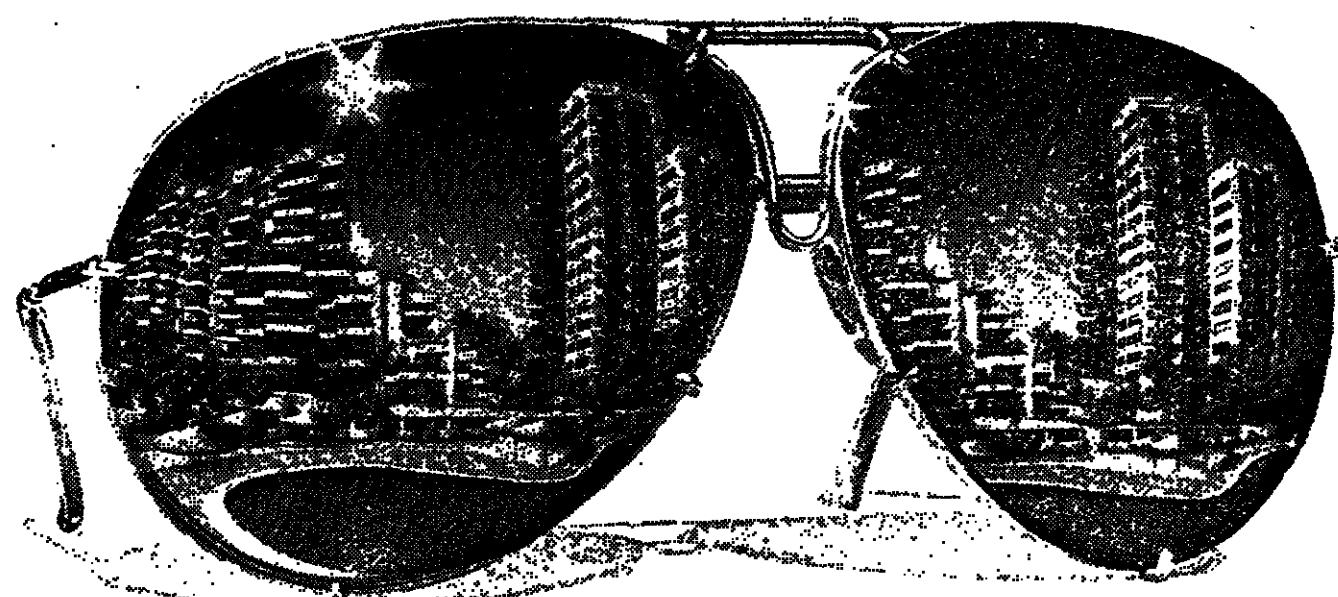
According to Mike Smith of the Melbourne office of Jones Lang Wootton, there was some 750,000 sq. ft. of offices on the letting market in Melbourne at the beginning of 1980 and, since then, a further 260,000 sq. ft. has come onto the market in the higher floors of the Collins Tower.

Mr. Smith believes that it is significant that of the total of

two buildings in the eastern sector of the city—some 200,000 sq. ft. in Nauru House and 480,000 sq. ft. in Collins Tower. He says that top-quality space is becoming scarce in the central and western parts of the city. The two major buildings completed in 1978 in these areas are now about 85 per cent let with active interest in the remaining offices.

The prospect of a shortage of new space sparked off some interest among developers but although rents have risen, the general level is still well below the level at which new schemes would be viable.

During 1979 some 610,000 sq. ft. of offices were let in Brisbane, this was a significant increase on both 1977 and 1978 when a total of 600,000 sq. ft. was let in 24 months.



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## INTERNATIONAL PROPERTY VI

## Battle to withstand rigours of recession

## UNITED STATES

ANDREW TAYLOR

THE AMERICAN economy, after five years of almost continuous growth, has at last moved into reverse, leaving the U.S. real estate industry facing its most testing period since the commercial property market collapse in 1974/75.

It is clear that the industry is generally in much better shape than six years ago to withstand the rigours of recession. Despite an upsurge in building activity over the past two years, there are few major cities where a dangerous oversupply of accommodation is likely to emerge.

But key questions remain—the answers to which may fundamentally alter the shape of a property investment market which has already undergone significant changes under the pressure of record interest rates and soaring inflation.

The most important of these questions is how long will the recession last and how successful—and at what cost—will Federal Reserve policies be in bringing down an annual inflation rate, running at 18 per cent during the first quarter of this year.

The Carter Administration and the Reserve Board have recently been criticised—with accusations of “overkill”—for introducing a tight credit squeeze earlier this year, when, in hindsight, the economy had already moved into recession.

## Interest rates

The rapid fall of interest rates on Wall Street—commercial bank prime rates have fallen from a peak of 20 per cent in mid-April to around 14 per cent—coupled with the Reserve Board's decision last month to scrap the 3 per cent surcharge on its discount rate for larger banks has provided an apt commentary on the way the recession has revealed itself in the past few months.

Decisions taken over the next 12 months, particularly on interest rate movements, will have important implications for a property market already in the process of changing its approach to funding real estate investment, to one more suited to a volatile, high inflation, high interest rate economy.

Traditionally, U.S. property

development has been financed by long-term mortgages of up to 30 years and at generally fixed rates of interest. This approach has given lending institutions, like the pension funds and insurance groups, a good, safe return on their money while inflation and interest rates have remained stable and kept with single figure.

In the main, development has been carried out by private individuals and companies attracted to property by the tax shelter provided by ownership of buildings in the U.S. This climate has changed significantly in recent years as the cost of money has soared and institutions—like as their British and European counterparts—have increasingly come to recognise the need for alternative forms of investment, like property, to provide a hedge against inflation.

A number of options have either been tried or are being seriously considered as alternatives to the traditional funding by institutions through long-term mortgages. These include:

- The granting of fixed rate mortgages, but with the institution sharing in a percentage of the net rental income above an agreed trigger point.

- Long-term mortgages, but with floating rates of interest.
- Convertible first or second mortgages giving lending institutions an option to convert debt financing to an equity stake.

- Direct equity financing, either in full or part.

Jones Lang Wootton, a British agent operating in the U.S., is in no doubt that more and more major institutions will in future be “providing equity financing for new real estate projects in much the way that many UK institutions now fund developers in that country.”

The longer it takes to bring inflation under control and bring interest rates down, the greater the pressure will be for institutions to involve themselves more directly in long term property investment.

Meanwhile, the high cost of borrowing and soaring building costs is putting a severe squeeze on private developers and new schemes would appear increasingly unlikely in today's climate.

This suggests that in some cities at least new development will fall short of demand forcing a further increase in the capital values of existing build-

ings, particularly those which have rent reviews, due shortly. While financial strictures will limit new building programmes, increased planning and environmental controls in some States and cities have also put a brake on new development.

By comparison with the UK and other European countries, there have been traditionally very few legislative controls on land development in the U.S. But this climate too has been changing.

Developers are now facing more difficulties than ever before as the strength of the environmental and planning lobbies has increased both in Congress and the State capitals. As a consequence, some States

have introduced requirements for developers to provide environmental impact studies when seeking permits—and controls applied to permits have become increasingly stringent.

Richard Ellis, another company of a growing band of British estate agents operating in the U.S., says: “There are now parts of San Francisco where new buildings higher than 12 stories are not permitted and height restrictions are also applied in some other centres.”

It is ironic that planning controls, so often bitterly attacked by developers, can, in some cases, bolster rents and capital values by restricting the supply of accommodation.

JLW reviewing prospects for

the New York and Los Angeles office markets, says that due to a combination of land controls—and, in the case of New York, the geography of the city—new development in these two major markets has been constrained, at a time when there has been strong demand for office space.

This combination has served to push up rents in these cities and reduce the level of vacant accommodation. Factors which will continue to work for the two markets during the present recession.

Even those centres where land and planning controls have remained virtually non-existent, notably in the southern “Sun Belt” in such cities as Houston,

demand last year continued to outstrip the speed at which new developments could be built.

The underlying strength of the U.S. property has maintained its attraction to overseas investors like the British and Dutch pension funds and property companies.

The largest transatlantic property deal so far concluded by the British was National Coal Board's pension funds \$67m purchase last year of Continental Illinois Properties, which included in its portfolio an interest in the Watergate complex in Washington.

Not all the deals have been so large. More recently, a consortium of British pension

funds and Grosvenor International—the overseas trading arm of Grosvenor Estates—announced the purchase of a 30 per cent stake in a 382,000 sq ft office block in San Francisco for a price thought to be around U.S.\$20m.

In another recent move, Brixton Estates, a British property developer, announced its first-ever U.S. deal. The purchase of 140 acres of land 15 miles from Houston's city centre where it plans an industrial/commercial development with local developers James H. Glanville.

The same day as Brixton was making its announcement, Wereldhave, the Dutch property group, revealed it is to form a

new company in the U.S. this which it plans to pump U.S.\$50m of new finance. At the end of last year, Wereldhave held investments worth around U.S.\$ 475m, of which almost a fifth were in the U.S.

Whether the U.S. will retain its attractiveness to overseas investors during the present recession remains to be seen. Rents are clearly unlikely to grow at the rate they have been doing in many major cities, and they may plateau for a time. But in the longer-term, there is no reason why commercial property should not remain a sound investment in the U.S., particularly as a hedge against inflation.

## Plenty of investment opportunities

## CANADA

JACK WILLOUGHBY

sending over their own management staff for acquisitions. The few competent property management services in Canada are quite expensive.

Rental markets are extremely tight in Canadian cities, except Montreal. Several western provinces have started long-range plans to remove the rent controls, which developers have blamed for restricted supply. Apartment investors will be watching Alberta closely when controls are fully removed this July.

Mr. Louis Matukas, executive vice-president of Lehnorff Management of Toronto, the Canadian manager of over \$1.2bn in North American assets for 3,500 European investors, has seen foreign interest increase sharply over the past year. Mr. H. G. Abromett, president and founder of Lehnorff, said he was aware of 10 to 15 families who want to buy real estate in North America, but it is getting harder to find good properties.

Canadians themselves say opportunities in their home country are rare except in western Canada. Recently, almost every property developer has established himself in the sunbelt states of Florida, Texas, Colorado, Arizona, and California.

British pension funds and European investors, mildly

interested in western Canada, share this fascination with cash-crazy U.S. development. Foreign investors say they prefer the U.S. sunbelt to Canada because of the large markets, but others argue the economic climate in the sunbelt areas will probably suffer heavily in the expected U.S. recession.

Although there are a wide range of possible buys in the sunbelt area, foreign investors will be competing with Canadians and Americans who have been entrenched for years.

“There's a disaster looming for some large Canadian company in the U.S.,” said Mr. Ira Gluskin, real estate stock market analyst for Brown Baldwin and Nisker of Toronto, who predicts the hot U.S. property market will soon cool, to the detriment of the giant multinational property firms.

## Prime locations

Despite the recent construction decline, analysts say Toronto has a shortage of prime office space for the first time in many years, which should push rental rates up by at least 7 per cent annually for the next three years.

Olympia and York Developments of Toronto, which controls English Property, is building another office tower alongside the 72-storey Bank of Montreal building, the city's

tallest, to complete its first Canadian place development in the heart of the financial district. Toronto-based Sun Life Assurance of Canada, which has moved its head office from Montreal, was going to establish headquarters in the second Olympia and York tower, but it has announced plans to build its own tower next door. British-based Trust Houses Forte signed a 30-year agreement in May with a Toronto builder to redevelop and operate the 77-year-old King Edward Hotel as part of a recent North American expansion plan.

Calgary and Edmonton remain the centres of Canadian construction activity, but some investors feel both cities are overheated from the special attention paid to them by foreign investors and Canadian developers eager for building opportunities.

Nevertheless, demand for Calgary office space is expected to remain buoyant while it quickly develops as the financial centre of Alberta, Canada's main oil-producing province.

Recent corporate restructuring of major oil companies, with the establishment of exploration headquarters in Alberta, is boosting office building in Calgary. The petroleum industry's corporate activities are pulling in a growing complement of banking services, both domestic and foreign. Spurred

by the major corporate expansion, developers are building many projects, and despite fears of an oversupply problem, absorption has so far remained high.

Development growth in Edmonton, the provincial capital and Alberta's other major centre, has been set back by extended negotiations between Canada and the U.S. over the route of a major oil pipeline. The secondary industry expected to arrive in this supply centre for development of the Canada's far north has not materialised, leaving the city with excess downtown office space. Experts predict that as much as 25 per cent of Edmonton's total office space may be vacant in 1982, because of the delay.

A. E. Lepage of Toronto, Canada's largest real estate broker, has predicted in its annual survey that 2m square feet of new downtown office space is planned for this year in Edmonton. Canadian property managers for foreign investors say the oversupply may make Edmonton a more profitable hunting ground in the months ahead, but right now property is overpriced.

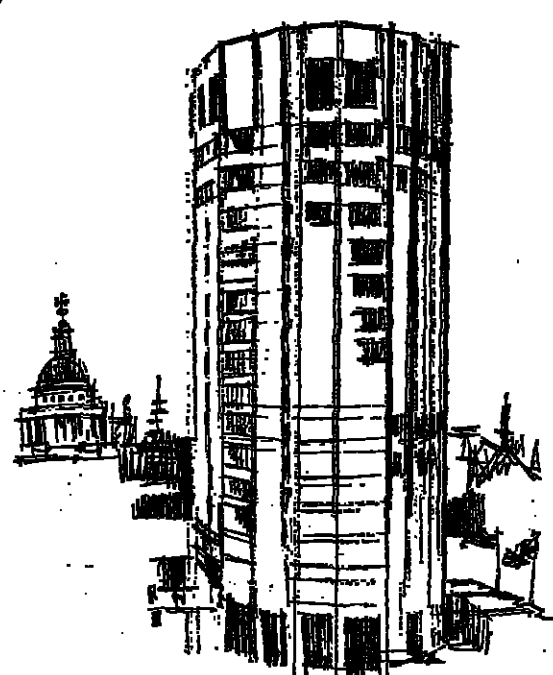
After several years of modest growth, Vancouver's office market has started to show encouraging signs of resurgence with the energy boom and pros-

pects of increased trade with Asian countries. This year more analysts expect more than a million square feet of office space to be added to greater Vancouver.

Deon Development of Vancouver has proposed to build that city's tallest office tower—a C\$90m project—as the head office of pulp and paper manufacturer Macmillan Bloedel. The Maritime Provinces and Manitoba have suffered the most from the latest downswing in the property market. Manitoba's capital city, Winnipeg, has been especially hard hit in both residential and commercial markets.

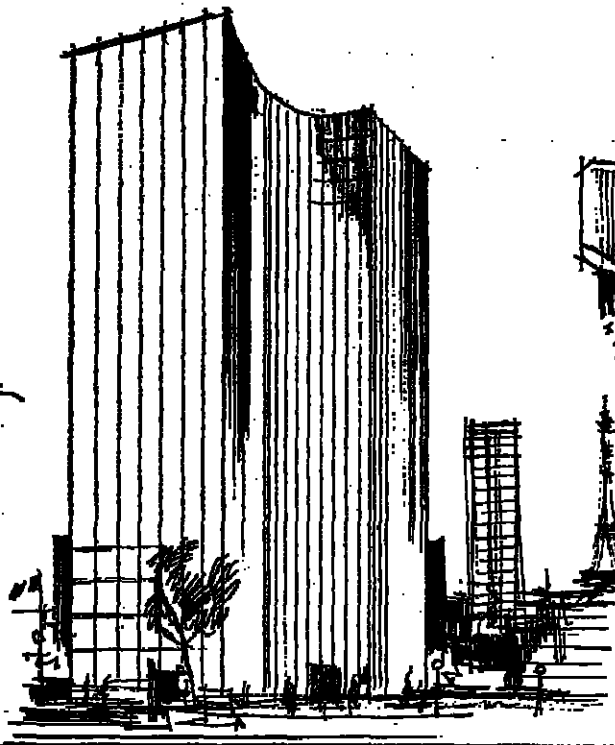
Some shopping centre developers, disappointed with the few development opportunities in Ontario and the resulting westward rush, have started to build mid-size shopping centres in Canada's smaller eastern cities. Although these centres must be carefully situated, developers say it is easier to get a fast answer on a project in maritime municipalities. Prices are competitive but it takes much longer to sell properties. St. John's Newfoundland, appears to be in the middle of a real estate boom, coming from the Hibernia oil find off its coastline. The residential market has heated up considerably and there is little vacant space in the rental market.

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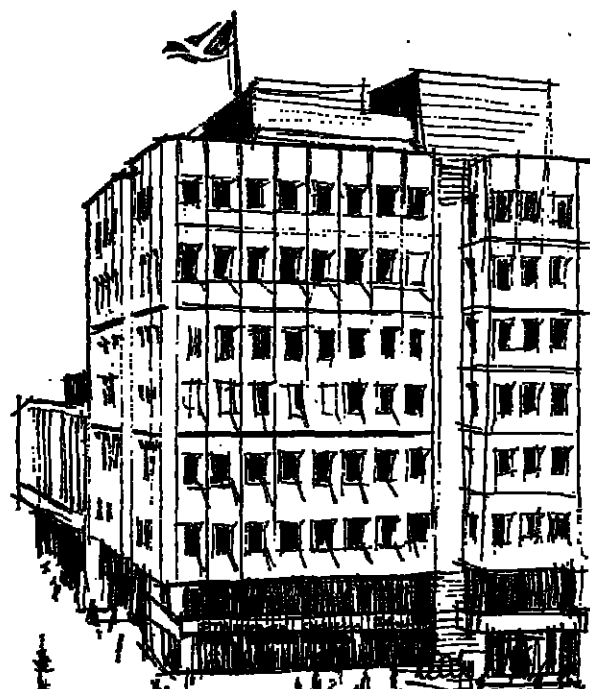


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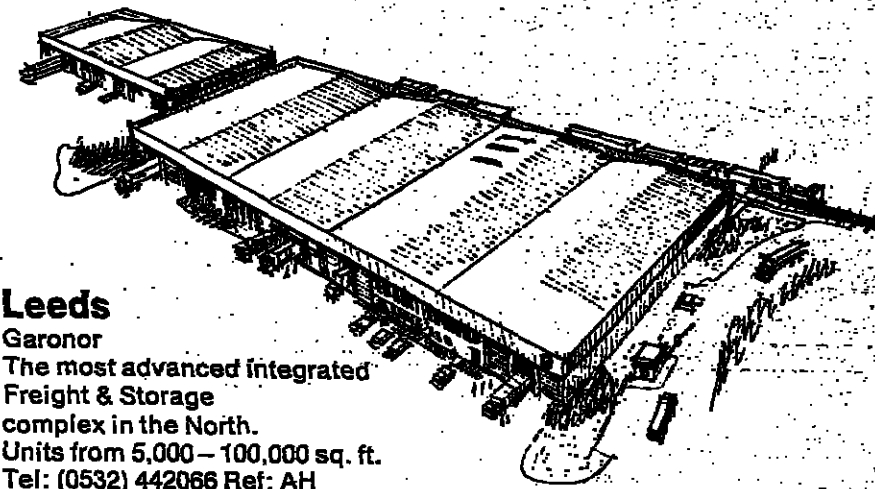
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## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Andrew Taylor looks at Blue Circle's improving prospects despite a static home base

## Cement may be soft—but the foundations are firm

A QUESTION mark must hang over any business controlling 60 per cent of a home market which has declined by almost a quarter in the past seven years and shows little sign of any medium term improvement. This is the position that Blue Circle, the UK's largest cement manufacturer, finds itself in today.

Blue Circle's answer, like that of other major British groups, is to diversify. The company has been pursuing growth markets overseas while at the same time seeking to diversify in the UK into new products away from its main-stream business.

This policy of overseas expansion backed by a 24 per cent rise in UK cement prices, looks like paying off in the current year. Recent industry forecasts suggest that 1980 pre-tax profits could be at least £70m after last year's sluggish performance when profits rose by only £13m to £51.8m.

The groundwork of the group's strategy has been prepared over many years, but it is only in the past five years that Blue Circle has significantly stepped up its overseas investment and begun to pursue more aggressively a policy of diversification.

Its bid to acquire Armitage Shanks, the sanitaryware manufacturer—now subject of a Monopolies Commission investigation—is the latest and by far the most comprehensive attempt to expand a product range which includes brickmaking and, somewhat esoterically, eel-breeding.

The group's eventual aim is

to generate between a third and half of its home profits from non-cement activities but says it could be some years before this target is achieved. It will not be rushed into a buying spree. At present around 20 per cent of UK profits are generated by non-cement activities.

The outcome of the Monopolies Commission probe into the group's £30m bid for Armitage Shanks is important on two counts. Firstly Blue Circle sees the sanitaryware manufacturer as a significant addition to its UK operations; secondly the investigation will provide a guide to the likely attitudes of both Government and Commission towards future major diversification moves by the group, given its dominant position in the UK cement market.

This is the second time that a bid for Armitage, which claims a third of the UK toilet and bathroom fittings trade, has been referred to the Commission. The previous bidder, Glyndwr, in 1973, pulled out before an investigation even began. This time Blue Circle, with a 13 per cent holding in Armitage, gained acceptance from holders of 48 per cent of the shares (which subsequently lapsed) before the probe was announced. The company decided to let the investigation run its course.

Meanwhile, Armitage Shanks has been enjoying buoyant trading conditions, and this week announced record pre-tax profits of £2.27m in the year to March 29, 1980, up 38 per cent on the £1.63m of 1978-79. Previous diversification by

Blue Circle has tended to be piecemeal, occurring more often through accident than by design. Activities like brickmaking, for example, have been acquired through the purchase of cement companies with other interests.

Equally, long standing overseas investments have assumed increasing importance as the UK market for cement has declined and developing nations, rich in natural resources, have launched ambitious construction programmes to provide roads and other essential infrastructure.

It is from its overseas cement operations, in countries like Mexico and in the Far East, that much of the group's profits growth can be expected over the next few years. Its philosophy on its mainstream cement operations, which still account for 80 per cent of sales worldwide, is a simple one.

John Milne, the managing director, says: "Developed nations with well established infrastructure, like Britain and Australia, must be regarded as 'ex-growth' in terms of cement sales although there will always be cyclical fluctuations in demand. In these countries improved cement profits will come from greater efficiency and rationalisation."

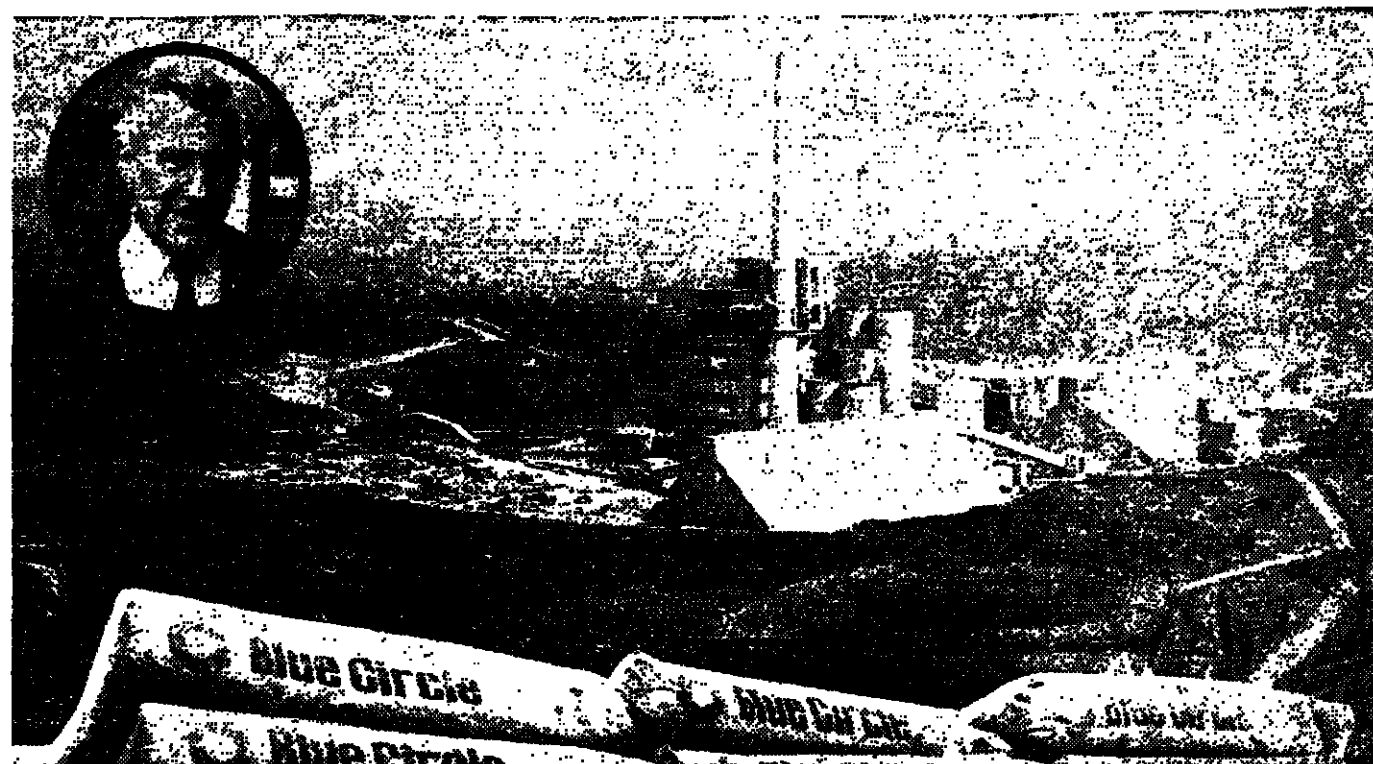
"Developing nations, on the other hand, offer attractive growth prospects but against this must be set the financial risks of operating in countries

with unstable political climates. There is always a threat of possible nationalisation—either in full or part—of overseas interests."

To keep this kind of risk to a minimum Blue Circle has been willing to accept local partners in many of the countries in which it is represented, while its associates are generally expected to be self-financing, further restricting financial exposure. The jewel in Blue Circle's crown is its 49 per cent stake in Empresas Tolteca de Mexico, one of the country's leading cement manufacturers, which controls around a quarter of the local market.

Mexico, with its rich oil reserves, stable political climate—under the 50-year-old ruling Institutional Revolutionary Party (PRI)—and a government committed to economic expansion, more than satisfies Blue Circle's criteria for a strong growth market.

The Mexican government is still deciding how best to utilise its mounting oil revenues, estimated at U.S. \$11bn (£4.7bn) this year, and although the exact aims of its recently published "Global Plan" are difficult to unravel, some very major projects are in the pipeline. Of the 932bn pesos (£18bn) that Pemex, the state oil monopoly, is expected to earn over the next three years, 68 per cent is planned to be spent on priority



John Milne (overlooking Blue Circle's plant at Hope, Derbyshire): accepts that Britain's demand for cement will be cyclical, whereas developing nations offer attractive growth prospects

services like roads, agriculture and non-oil industries.

To meet this extra demand Tolteca will increase its annual capacity from 3.6m tonnes to 4.2m tonnes this year; rising to 7m tonnes by the end of 1982. Last year Blue Circle's Mexican operations contributed over a fifth of group trading profits compared with less than 10 per cent in 1976.

Tolteca, founded by Blue Circle in 1912, typifies the group's approach to its overseas investments. Apart from the original cost of establishing the business the British group says it has made no further significant direct investment into its former subsidiary which has been expected to fund expansion under its own steam.

Like other major British construction-related groups, Blue Circle regards South and Central America as potentially significant growth markets, particularly now that opportunities in the Middle East are becoming more scarce.

Last year it paid £19m for an 82 per cent stake in Chile's largest cement manufacturing company, Fabrica de Cemento El Melon, with an annual capacity of 750,000 tonnes. The move was surprising given Chile's political background but the group took the view that the risks involved were outweighed by the potential financial rewards.

Blue Circle has also been

increasing its involvement in the Far East, another attractive market for international construction. Earlier this year it paid \$19m (£8.3m) for a 26.4 per cent stake in PT Semen Andalas Indonesia, a new company established to develop and manage a 1m tonnes a year cement plant in northern Sumatra. Three-quarters of the company is owned by non-Indonesians with Blue Circle's stake the largest. The project, costing around \$200m, will include a harbour, power station and housing.

Blue Circle will meet its share of the costs from group resources, strengthened by the £27m sale last year of its minority stake in Genstar of Canada. The Indonesian associate—to be managed by Blue Circle and PT Rencong Aceh Semen, its leading Indonesian partner—will, typically, be expected to finance its own operations and expansion after the initial injection of cash.

In fact most of the development costs will be financed from international borrowings for which Blue Circle—as in Mexico—has agreed to provide limited guarantees only until the plant is constructed.

Last year just over half the group's pre-tax profits were generated by overseas subsidiaries and associates. The proportion would have been higher but for a high sterling exchange rate—the impact of

which is still being felt—and problems in the Middle East which prompted a 4m decline in Marine Cement's profits contribution.

The problem faced by Blue Circle's UK cement operations has been to offset sharply falling sales by becoming more efficient and by rationalising its operations. It now runs just 16 UK plants compared with the 31 operating just over a decade ago.

Although the group has maintained its share of the home market at around 60 per cent, volume sales in the industry have declined from 19.8m tonnes in 1973 to 14.9m tonnes last year. And, despite regular price increases, the return on capital employed throughout the industry, on a current cost basis, was still only just over 4 per cent in 1979.

## Fuel costs

In February the Cement Makers' Federation announced that prices of ordinary Portland and rapid-hardening Portland—the types of cement most widely used in construction—were to go up by a further 24 per cent. The rise was needed to pay for modernisation plans and to meet rising fuel costs.

Even so John Milne estimates that return on capital will still only be around 6 per cent in 1980—given an anticipated fall

of 1 per cent in cement sales this year. He says that Blue Circle expects to spend an average £50m annually over the next decade—£33m this year—making its UK cement operations more efficient.

Meanwhile the group is intent upon improving the profits profile of its UK businesses, although future diversification is likely to be restricted to construction industry related products and services, the industry Blue Circle knows best. To date the most successful of its non-cement activities has been its exterior decorative products where Sandtex is the market leader.

A large proportion of the non-cement activities have either been inherited through takeovers or have evolved as bi-products or its mainstream cement making activities. For example, eel breeding at its Weardale works has developed as one way of using the thousands of gallons of water drawn daily from the River Wear to cool cement clinker. But not all the group's activities are so peripheral. They include builders' merchants, lime and flint production and a land and property development division. Shanks would give Blue Circle an important stake in the home improvement sector—one of the very few recent growth sectors for the British construction industry.

## The top dogs

FOR THE ambitious executive the road to the top can involve a hard, cruel slog, but can quite often be a matter of luck. Few people actually make it, if only because a pyramidical structure dictates that there have to be more sheep than shepherds.

But how did those who did make the grade get there and what are the key influences on their development?

An executive, it seems, enters senior management by the time he is 32 years of age and achieves the top job by 41. On the way up he has served in more than eight different roles and has worked for two or three different organisations.

He does not have a specific personality but an extrovert seems to have a better chance of getting to the top of the tree. If anything, chief executives are marginally more creative than practical and when making decisions do so by analysis rather than for subjective reasons.

This "profile" of a top executive emerges from a survey of more than 200 senior managers by Professor Charles Margerison of the Cranfield School of Management. As part of his research, which is due to be published in August, he interviewed about 20 chief executives in major companies.

Professor Margerison main-

tains that it is increasingly recognised that management is a vitally important part of an organisation's overall approach to improving its performance. Up to now this has generally involved some manpower auditing and forecasting, establishing job descriptions, introducing appraisal procedures, putting promotion processes on a more formal basis and facilitating training and development.

But these processes, he claims, say little about the individual managers and the range of experiences they need to learn their job. Perhaps the over-riding factor to emerge from the research is the importance of what he calls "people management"—the ability to understand and manage subordinates effectively. Professor Margerison says that senior managers need to complement their technical skills with certain behavioural skills. "At the end of the day it is how they relate to others that counts—finding the right words in a variety of situations and behaving correctly at the right time."

While a lot of work was being done to improve skills in this area, there was a need to widen the scope of looking at organisational development as opposed to individual development, he adds. This should include programmed job rotation, a continuing education policy to encompass in-house and outside courses and guidance on personal development.

Professor Margerison believes that the issues emerging from his research have major implications for management development and training.

## Stagnate

It shows, for example, the vital importance of early development. This means that the process of management development must begin in the 20 to 30 age range. It must involve personal responsibility for a significant part of the business, being in a position of leadership over others and exposure to different aspects of the business in different functions.

People with potential should also not be allowed to stagnate in a job. They should be moved on average every three to five years. The "high flyer" must be moved.

These conclusions were based on the answers to an exhaustive range of questions put to the senior managers. Essentially they regarded their own development as a function of themselves combined with important business experiences early in their career.

Most top managers thought the reason for their success was being in the right place at the right time, followed by hard work and acceptance of early responsibility.

The majority of the chief executives had the equivalent of a university degree, a tertiary qualification, either professional or post-graduate, but interestingly, roughly one-tenth had left school by the age of 16 and, therefore, had no formal advanced education.

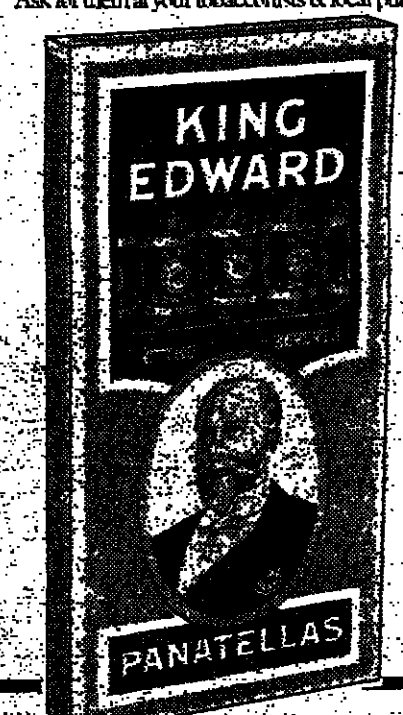
Practical work came out as a key factor in developing managers. The areas in which chief executives claimed most experience was in sales and marketing/PR, finance and accounting and production and construction control.

How Chief Executives Succeed, published by MCB Publications, 200, Keighley Road, Bradford, West Yorks., price £5.75. Available from August.

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- to make to shareholders, per share of Dfls 18 nominal value, a distribution in shares, out of share premium, of Dfls 1.00 nominal value, the warrant exercise price has been reduced as per 30 May 1980 as follows:

- in respect of warrants issued in 1976 from Dfls 108.20 to Dfls 98.20 per certificate, and
- in respect of warrants issued in 1978 from Dfls 123.50 to Dfls 111.87 per certificate.

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- in respect of warrants issued in 1976 to 12219959 shares, and
- in respect of warrants issued in 1978 to 11,1736837 shares.

Delft, 29 May 1980

The Executive Board



Excerpts from Chairman's Statement for the year ending 28th February 1980

PRE-TAX PROFITS OF £366,593  
ACCUMULATED RESERVES OF £204,727  
EARNINGS PER 10p SHARE OF 16.9p  
NET ASSET VALUE PER 10p SHARE OF 45.5p

Mr. Allan Campbell Fraser, Group Chairman, states, "I believe that our 1980 report shows the Group's underlying strength beginning to emerge, and that considerable scope exists for realistic expectations of future growth".

Copies of the Chairman's Statement are available from: P.R. Department, D.C.I. (Holdings) Ltd., Ingram House, 227 Ingram Street, Glasgow G1 1DA.









Cinema

# Through the red glow

by NIGEL ANDREWS

Angi Vera (A) Gate  
Long Shot (AA) and  
La Commare Secca (AA)  
Everyman, Hampstead  
Forget Venice (X) Academy 2  
All Quiet on the Western  
Front (A)

The first time I saw Angi Vera, by the Hungarian director Pal Gabor, it was unspooling at the San Sebastian Film Festival and I was straining to decode the film through a rain of wheezes and crackles as the English earphone translation tackled the twin mysteries of Hungarian dialogue and Spanish subtitles.

Not surprisingly I got lost and delivered a confused verdict. I took the film, with its story of a young girl — the title's Angi Vera — put unapologetically through the Stalinist paces of a consciousness-raising school in 1948 Hungary, as an apology for Marxist dogma rather than an attack on it. The movie's lovely amber glow seemed then like an enshrinement of those purblind doctrines, just as its stilted, adagio tempo seemed to abjure explicit satire.

But English subtitles work wonders. The film's portrait of Stalinist communism — and by implied extension all doctrinaire

totalitarianism — is spliced from the beginning. Our heroine, mouse-faced and beautiful, is picked for the school after she makes an outspoken protest about conditions in the hospital where she works as a nurse. Promptly deemed to be the stuff that leaders are made of, she's shipped off to the said academy and thereby hangs the movie: a day-by-day chronicle of the ideological streamlining to which she's subjected, culminating in a crushingly ghastly "self-criticism" session, chaired by a visiting Stalinist apparatchik, in which everyone confesses everything and the final humiliating rite is added to the term-long brainwash.

Gabor builds up a splendidly sardonic fresco of indoctrination, showing how carrot and stick are brandished in turn as dull seminars alternate with mid-term dances, and giggling midnight chats in the women's dormitory freeze by morning into stern scholastic solemnity.

Vera herself, beautifully played by Veronika Papp as a young innocent slowly sucked into the totalitarian system, strays from the straight-and-narrow only once, in a one-night affair with the married teacher with whom she's fallen in love. When the peccadillo is raked up in the self-criticism session, off goes the teacher to

pastures new—possibly Siberian—and on to greater Marxist-Leninist heights goes the honest, sweet, and ever more tragically automated, Vera.

"Where is this new world?" says one child of the Revolution in the film, as doubt briefly and healthily nibbles: "Everything is just the same as it was." With luck, Gabor's message will come through loud and clear for the Communist world in 1980 as well as 1948.

Well worth your pilgrimage to Hampstead is a beguiling new double-bill of black-and-white movies. *La Commare Secca* and *Long Shot* are yoked together at the Everyman, joining Bernardo Bertolucci's first film — made way back in pre-Tomato 1962 and not seen in London before — with a cheerful, loose-limbed curio by British film-maker Maurice Hutton, who made *Pravda* and *Pass the Ammunition*.

Hutton's movie is an everyday tale of movie folk: the picaresque fictionalised adventures of a British scriptwriter-producer duo (Neville Smith and Charlie Gormley) roaming the land — north and south of the Scottish border — in search of finance for their feature script about oil-rigs.

"Chapter" headings plucked

as if from an 18th century novel punctuate the story: "Wherein fortune begins to smile." "On the dangers of not looking before one leaps" etc. — and guest stars wander in and out contributing wisdom and party-pieces. There's John Boorman saying he might direct the film, Susannah York saying she might star in it, and Alan Bennett wheezing pedagogically as Smith's doctor. It's all a bit of a mess, and tends to droop over the edge of the screen, and looks as if it needed a lot more money. But then don't we all. And at least the film is funny and spry and educative. Praise Hutton and pass the hat round. Bertolucci's debut movie would be identifiable as a Bertolucci movie from sixty paces wearing an eye-patch. The camera tracks and glides and ravishes the senses in this marvelously staged little morality-melodrama, which delves, in shrewdly dovetailed sections, into the life of a half-demented suspects rounded up in a park after a prostitute has been murdered. "Whodunnit?" doesn't matter so much as the reactions under inquiry of those who didn't do it: the startled tissues of lies that suddenly start to be built by the wholly innocent. The result is like a Roman Eusebius: a liturgical treatise about deceit and evasion that's filmed like a trompe l'oeil movie ballet. Rich and fascinating — see it.

I wish Sr. Bertolucci would go and bite in the neck Sr. Franco Brusati, an Italian film-maker who badly needs some of the former's lyric fluency running through his veins. Brusati last gave us the choppy *Bread and Chocolate* — half plangent pathos, half knock-kneed knock-about — and in *Forget Venice* that lumpy visual style rides again, jolting into incoherence a potentially enthralling script.

A family gathers. And what a family. Ex-opera-singer Marta (Hella Petri) is ailing and will soon die; her brother Nicky (Erland Josephson) rolls up for a reunion at her villa with his young male lover; her living-in-niece-in-law (Mariangela Melato) is having a lesbian romance with a schoolteacher. (And the maid is mad).

Italian drama, as you all know, is dotty about devious passions, and for a while it looks as if Brusati has just plugged into this cultural circuit to give us a rickety

roller-coaster ride through the *passage* of the polymorphous-perverses. But as the movie progresses, a sad, serious urgency tries to burn through, and Brusati impressively builds the portrait of a too-close family whose children have become a kind of umbilical chain-gang. Pining for lost childhood, they wander through life looking for looking-glass images of themselves, in homosexuality, in introspection, in the sepia memories and mementoes of family life.

It's a theme full of poignancy and Freudian power, but visually Brusati just lets the movie tumble on, shunting over bad connections and sudden re-railings like a goods train during a signalman's strike. His camera lumbers from point to point, photographing performances rather than creating a visual momentum, or an imaginative universe. "Style" — of which Bertolucci has lashings and Brusati next to none — is not a decorative excess but a movie's vital binder. It gives breath, rhythm and meaning and prevents a movie from being, as Brusati's are, sudden blobs of insight spaced between long stretches of blank celluloid.

There's worse, I fear, to come. *All Quiet on the Western Front* is a terminally torpid remake of Lewis Milestone's 1930 movie classic based on the novel by Erich Maria Remarque. Richard Thomas plays the young German marching off to the trenches in 1914 and keeping his life and head while all around lose theirs, including the rosy-cheeked, pro patria schoolchums who volunteered with him.

Gobbits of Remarque's book are read out on the soundtrack while the movie illustrates them: here a rat-chasing scene in a dog-out, there a mud-crawling training session with barking corporal Ian Holm. Meanwhile, outside the war, Donald Pleasence wheezes and cackles as the jingoistic school-master whose urgings made them all enlist and whom, in a brief and bitter leave, Thomas revisits. The film sprawls over 127 minutes with never a memorable image or a heart-stopping moment. The director was Delbert Mann, best known for his made-for-TV versions of literary classics (*Jane Eyre*, *David Copperfield*, etc.) and continuing that genius-filleting, Viewer's Digest tradition here.



Penelope Wilton and Anna Carteret

Olivier

## Sisterly Feelings

by B. A. YOUNG

There are four possible versions of Alan Ayckbourn's new piece. I've seen two, and can construct the others out of my head. The version in which Abigail and Simon go camping is 20 minutes longer than the version in which Simon competes in the cross-country, and it needs a blue pencil. Otherwise, I don't think it matters a bit which you see. They all proceed from the same *dommées* with perfect logic, they all finish the same, they are very funny, but with less of the compassion that we had in the last Ayckbourn or two.

The scene (by Alan Tags) is a hilly bit of heath. Grass rises to a leafy summit beneath a black Marston sky. Footpaths cross in every direction. All we need to complete the scene is Peggy Ashcroft buried up to her middle in the ground, with her little bag of necessities at her elbow.

Instead, we have Andrew Cruickshank leading his family from their mother's funeral to see where he proposed to her 28 years before. The family consists of two daughters, Abigail and Dorcas, and a young son, Melvyn, besides an uncle in the police and his wife. Abigail's husband is the rich, pompous Patrick Dorcas's lover the useless poet Stafford, and Melvyn is engaged to an apparently silly girl, Brenda, whose brother Simon is lately home from Africa.

I have to present this family album to have any hope of telling you what happens, though at least I need only tell you that in outline. Both girls falls instantly for Simon. At the end of the first scene, Patrick having driven off to a board meeting, one sister will have to walk home with Simon. They toss for it. Here the several varieties begin to differ.

Perhaps in the next scene Dorcas secures Simon while Abigail is flying Melvyn's kite. Perhaps the other way round. The scene shows a picnic of characteristic horror, but it's not the same picnic for each version: Stafford may be complaining about his nut sandwiches, or he may not have been asked, and spies on his Dorcas with her new friend. Simon changes hands in the next scene, either during his gallant running in the cross-country, or after an attempt at a tented adultery, interrupted first by Uncle Leonard and the police, then, with unexpected nobility, by Patrick. All the original partnerships are ultimately restored, even Melvyn's silly girl Brenda proving to have financial acumen enough to start them in a toyshop.

This is a rich play, the characters subtly contrasted and drawn in convincing detail. Too often in the production (by the author and Christopher Morahan) I thought the business unnecessarily exaggerated. This

is surely a comedy, not a farce. But the company is strong. Mr. Cruickshank seems nearer and nearer senility as his character grows dottier; Iolling in his deckchair at the picnic he might have just had a heart-attack. Penelope Wilton and Anna Carteret are his daughters, Miss Wilton the unwillingly smart Abigail, Miss Carteret much less smart as a local-radio announcer. Michael Gambon, whether champing on the sidelines as Patrick in one version or playing a convincing marital dispute in the other, is all too familiar a figure in the Home Counties; but Simon Callow goes too far in his efforts to make an idiot of Stafford. Stephen Moore, slim and brown as an idealised colonial settler, overturns all previous loyalties, and not surprisingly, Michael Bryant's policeman has all the bad features of country policemen faithfully reflected, none of the good.

### Cecil Sharp House jubilee

The English Folk Dance and Song Society is celebrating the jubilee of its headquarters, Cecil Sharp House in Camden Town, this weekend. There will be a concert featuring the Watersons this evening, an all-day folk-in on Saturday, with a thanksgiving service and family concert on Sunday.



A scene from *La Commare Secca*

### Queen's, Hornchurch

## She's So Modern

by MICHAEL COVENEY

Barrie Keeffe's heroine is a blonde, middle-aged do-gooder in Hornchurch who has started a movement for cleaning up the spiritual side of things by getting a television play banned by the BBC. A strong line is needed as Mrs. Whitehouse has gone soft and Mrs. Prim arrives in the Bishop's house with news of gang bangs in Harold Hill.

The one satirical idea in a disappointing evening is that of the moral reformers as hypocritical purveyors of sins they affect to despise. Pitted against them is the unlikely combination of a band rock singer, her Cockney uncle and a television playwright whose Barnsley reworking of the Oedipus myth has been sacrificed on the altar of the public interest. Mrs. Stone has won to her cause a spurious military man and a lip-smacking local reporter whose hernia is worse than it seems.

All these elements form a suitable case for farcical treatment and one can detect in the dying embers of Mr. Keeffe's ambition a neo-Jacobean intention previously manifested in his version of *A Mad World My Masters*. But the cartoon approach is not mined with sufficient richness in the early stages and the Ortesque frenzy of a plot discovered in the throes of a sexual frame-up is woefully mismanaged in Paul Tomlinson's production.

Nor is it clear in Charlotte Cornwell's lead performance at

which point she really owns up to living a double life on the Soho side streets. The Bishop dies while being felled by her in an adopted guise and the interval is heralded by the explosion of his pace-maker in the crematorium. On paper, this sounds good brutalist stuff, but you cannot help feeling that the evening has missed its target by insisting that do-gooders crave participation in the allegedly enveloping miasma of pornography. Self-appointed guardians of morality exert a far more insidious influence than that.

There is a stunning finale where Miss Cornwell straddles her two worlds in a pounding rock number while victims of the aforesaid pornography attempt dolefully to hurl flowers into the auditorium while bound in straitjackets. At last, in a sort of phoney Nemesis, the play exerts pressure and grip.

### Park Lane antiques fair

London is to have another antiques fair. It is to be held from October 7-11 in the Park Lane Hotel, one of London's lesser known but one of its finest art deco buildings. To suit the surroundings the fair is accepting "antiques" up to 1930.

### New Theatre, Cardiff

## Leipzig Opera

by NICHOLAS KENYON

Welsh National Opera is currently in Germany, performing *Elektra*, *Ernani* and *The Turn of the Screw* in Berlin, Dresden and Leipzig. In exchange, Leipzig Opera is appearing here (in Cardiff and Birmingham): a season at Sadler's Wells had unfortunately to be cancelled in Handel's *Serse* and Mozart's *La Clemenza di Tito* — or rather *Xerxes* and *Titus*, as they are respectively billed, since both are performed in German.

The connection between the two companies, I presume, is Joachim Herz, who directed WNO's *Madam Butterfly* in 1978 and was director of productions in Leipzig for some 16 years until 1976. It was his 1972 version of *Xerxes* that opened this tour. Leipzig has a fine Handel tradition, dating back to the mid-18th century when Johann Adam Hiller worked there; in the 1920s under Gustav Brecher, Tomerleno and Alcino were seen there. But the German proclivity for improving Handel apparently dies hard. This *Xerxes* is more faithful, more substantial, than the appalling 1924 Göttingen version which Peters published, but it still owes more to Herz, Horst Gurgel and Eginhard Böhm (who are credited with this edition and translation) than it does to Handel and Nicolo Minato (who wrote the original libretto).

Herz realises that this opera is a comedy. He writes that he aimed "to uncover the opera's inextinguishable humour and to make it a terminological inexactitude. Herz sets the tone of his production in *Xerxes'* opening number (the famous *Largo*): Edgar Wähle,

looking and behaving like Benny Hill with a bad script, lounges in a deck-chair, legs crossed, and slurs through his aria in a mood of drunken bonhomie. Throughout, we are invited to laugh at the music, not with it: lots of fun is derived from Ariodante telling the orchestra to be quiet while he delivers his cadenza; from Atalanta sporting a yo-yo during a ritornello; from a letter which is read out in a stage whisper telling all enlist and whom, in a brief and bitter leave, Thomas revisits. The film sprawls over 127 minutes with never a memorable image or a heart-stopping moment. The director was Delbert Mann, best known for his made-for-TV versions of literary classics (*Jane Eyre*, *David Copperfield*, etc.) and continuing that genius-filleting, Viewer's Digest tradition here.

Some of the voices are striking, especially Heidrun Hall's pert, well-projected Atalanta and Amelot Dam's firmly articulated Amastri. Elisabeth Breul's eloquent Romilda had moments of beauty, and moments of strain. But so much is altered in the piece that it is difficult to appreciate the truly radical nature of Handel's design, with its truncated arias, its scenes bound together by little repeated fragments of music, its interrupted numbers, and its marvellous sense of dramatic continuity.

Horst Glüger conducts with an insistent pulse, encouraging the Leipzig Gewandhaus Orchestra to produce a thick, stringy sound. The chorus, effectively done out in masks and made to strike artificial poses, was surprisingly weak. Bernard Schröder's scenery puts the seal on the evening: a long perspective ramp leading back to an archway (with a curtain ceaselessly manipulated by a couple of harlequin figures) and odd bits of baroque decoration and plenty of rusty 20th-century machinery to produce balconies and stairs.

### Old Vic

## Steps, Notes and Squeaks

Dance is back at the Old Vic, first home of our national ballet, our national opera, and our national theatre. But such is the passage of the years, and grander things to which the one-time incumbents of this stage are gone, that the dance is now educational: Maina Gleigud's instructive show, *Steps, Notes and Squeaks*.

She has thought, called on one of the Old Guard, Sir Robert Helpmann, to work with her this week. (Guests for the next two weeks are Svetlana Beriova, and then Arnton Dolin, who will coach moments from *Sleeping Beauty* and *Giselle*.) Sir Robert is there to provide help with *Swan Lake* — he partnered Markova in the vital 1934 staging for the Vic-Wells Ballet

— and to talk a great deal of the finest sense about the need for dancers to understand and love the art of classic mime. "You must know what you are saying, and the public must know what you are saying." Miss Gleigud is a lively and intelligent focus for the evening. She talks well, and has planned the interaction of various components very skilfully. Each evening a choreographer will create for her and her partner — Jonathan Kelly this week — and Wednesday's guest was Peter Darrell. Using one of Prokofiev's *Visions Fugitives*, he set about making a duet with the greatest aplomb, and a ready wit, and — best proof of the matter in hand — made me eager to see the finished piece. CLEMENT CRISP

| FOOD PRICE MOVEMENTS                                   |             |             |             |  |
|--|-------------|-------------|-------------|--|
|  | June 5      | Week ago    | Week ago    |  |
|  | £           | £           | £           |  |
| BACON  |             |             |             |  |
| Danish A1 per ton                                      | 1,280       | 1,230       | 1,230       |  |
| British A1 per ton                                     | 1,230       | 1,200       | 1,200       |  |
| Ulster A1 per ton                                      | 1,230       | 1,200       | 1,200       |  |
| BUTTER   |             |             |             |  |
| NZ per 10 kg   | 15.50/15.63 | 15.50/15.63 | 15.50/15.63 |  |
| English per 10 kg                                      | —           | —           | —           |  |
| Danish salted per 10 kg                                | 19.43       | 19.43       | 19.43       |  |
| CHEESE   |             |             |             |  |
| English cheddar  | —           | —           | 1,545       |  |
| Irish cheddar  | 1,629.80    | —           | 1,450/1,460 |  |
| Danish cheddar   | 1,500       | 1,500       | 1,480       |  |
| EGGS   |             |             |             |  |
| Home produced:   |             |             |             |  |
| Size 4   | 3.80/3.80   | —           | —           |  |
| Size 2   | 4.80/4.10   | —           | —           |  |
|  | June 5      | Week ago    | Month ago   |  |
|  | p           | p           | p           |  |
| BEEF   |             |             |             |  |
| Scottish killed sides                                  | 67.0/72.0   | 67.0/73.0   | 68.0/74.0   |  |
| ex-KKCP  | —           | —           | —           |  |
| Eire forequarters                                      | 44.0/48.0   | —           | 49.0/53.0   |  |
| LAMB   |             |             |             |  |
| English  | —           | 59.0/74.0   | —           |  |
| NZ PLs/PMS   | 57.0/60.0   | 58.0/61.0   | —           |  |
| PORK   |             |             |             |  |
| All weights  | 38.0/50.50  | 38.0/50.0   | 41.0/50.0   |  |
| POULTRY  |             |             |             |  |
| Oven-ready chickens                                    | 42.0/47.0   | 42.0/45.0   | 40.5/45.0   |  |
| * London Egg Exchange price per 120 eggs. † Delivered. |             |             |             |  |
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## FINANCIAL TIMES

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Friday June 6 1980

## Driving home oil savings

PRESIDENT CARTER has every right to feel aggrieved that Congress has blocked his proposed \$4.62 a barrel levy on imported oil. The fee was to have encouraged energy savings where it really matters—among motorists. But it would also have had a wider significance.

The fee would have been a signal both to the Organisation of Petroleum Exporting Countries and to the main consuming nations within the International Energy Agency that the U.S.—the world's major oil importer—was willing to toughen its energy conservation measures. Unfortunately, Congress failed to bite the bullet.

## A lost card

The President has lost a negotiating card which he wanted to lay on the table at the economic summit of seven major Western industrial countries in Venice later this month. There the summit leaders are expected to promise new efforts to reduce their oil imports.

Such pledges were given in Paris last month when ministers of IEA countries agreed to take action that would result in the group substantially under-shooting its 1985 oil import target of 28.2m barrels a day, including bunkers. Agai President Carter failed to achieve what he wanted: specified, stricter targets that would have made it easier for him to sell his import levy to Congress. Instead, IEA ministers recognised the estimates of Agency officials which showed that about 4m b/d might be trimmed from the 1985 import target. Against that potential saving, the conservation effect of President Carter's import fee is seen to have been extremely modest—amounting to a cut in U.S. imports of 100,000 b/d immediately and 250,000 b/d within a year.

But it would have been a start, and a start in the right direction. President Carter planned to load the higher prices arising from the import fee solely on petrol sales. Petrol accounts for half of U.S. oil consumption. It thus offers the greatest scope for savings. And yet repeatedly Congress has backed away from raising the tax level on petrol which is among the cheapest in the developed world. American petrol now costs around \$1.25-\$1.30 a gallon. Admittedly

prices have risen sharply in the past year—but so have oil product prices everywhere. Allowing for differences in the size of U.S. and Imperial gallons the British motorist is paying the equivalent of about \$2.50 a gallon at present.

Tax levels account for much of the difference; UK petrol—like petrol throughout Western Europe—is heavily taxed; the American motorist pays but a few cents in tax. Even President Carter's proposals would have added only a dime—10 cents—to the pump price. Many in the Congress have argued (usually in private) that effective measures would entail the imposition of an additional 50 cents in tax. That may be true, but a start has to be made somewhere.

American politicians have shown that they prefer to follow than to lead public opinion, particularly in an election year. Unfortunately the public is not well informed.

## Nuclear power

To its credit Congress has avoided the temptation to tamper with the decontrol of domestic oil prices—a process which will be completed in September, 1981—although politicians could never have envisaged prices rising so quickly. And it is backing conservation measures and the development of synthetic fuels and solar energy—much of which will be funded from the oil industry's windfall profits taxes. But much more needs to be done.

It must encourage more actively the speedy development of domestic coal and nuclear power. And it must take measures that will restrict oil imports in years to come. No doubt some of those who refuge in both the difficult economic conditions and the latest import figures. In April the U.S. imported 6.7m b/d of crude oil and products as against 7.8m b/d last year. Much, perhaps, all of this spectacular drop can be attributed to the recession and large stocks left over after a mild winter. What is not known, and what is disturbing Mr. Carter's Administration, is how effectively present energy saving measures will restrain the growth in oil imports over the recession. More realistic petrol pricing would have a lasting conservation effect.

## Stability in road building

THE ACCENT in the Government's road-building programme, which was unveiled in a White Paper yesterday, is on stability. After suffering a cut of almost 50 per cent between 1975-76 and 1977-78, expenditure on new road construction is now to be maintained in real terms at around the level of the past three years. A decision simply to maintain the level of spending inherited from the previous government, and to fit in as many road schemes as possible, may not look like an inspired example of transport planning or cost-benefit analysis. But in planning public sector investment projects, stability and predictability are better than over-enthusiasm.

## Gratitude

Obviously there will be some disappointment among road users and in the construction industry that road building has not been restored to its peak levels of the mid-1970s. But, below the ritual complaints, which are bound to be matched by moaning from the less powerful, but equally vocal, anti-road lobby, there should be an undertone of gratitude for the Government's apparent recognition of the need for a stable and realistic programme.

The Government's priorities have been clearly stated and are sound: the main task is to fill in the gaps and eliminate the bottlenecks in Britain's already extensive network of motorways and trunk roads. This will maximise the benefits from the vast investment in existing trunk roads. Most importantly, the London orbital road and the main roads from the Midlands to the ports are to be completed. As a second priority, smaller bypass schemes will be undertaken to reduce the damage done to historic towns and villages as a result.

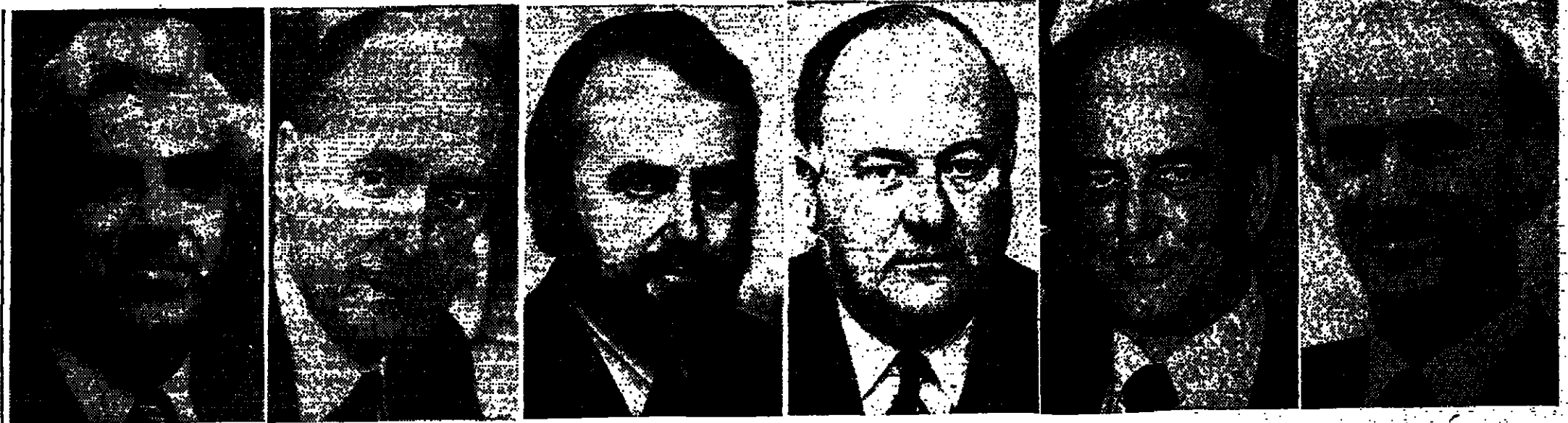
The Government's realism is political as well as economic. Although a number of vital and urgent schemes, including the Birmingham to Oxford motorway and the extension of London's North Circular Road through the docklands, have been put off until after 1984, the Government's contention is that these roads are not being "held up for lack of resources," but because of the inevitable de-

lays in planning. Previous administration consistently underestimated planning problems and consequently rarely fulfilled their road building promises.

It is certainly arguable that the present planning procedures are too cumbersome and time consuming and that the Government should take action to streamline them. A major road now takes between seven to ten years to plan, compared with the two to three years required for construction. But in the meantime it is sensible for the Government's programme to take account of the delays imposed by the present legal framework. Greater concentration of the Government's political and legal, as well as its economic, resources on the achievement of more modest road-building targets should assist both the construction industry and the Treasury in their financial planning. It will also reduce the uncertainty which now blights many areas affected by the possibility of road construction. Having laid out its priorities, the Government should now stick to them as far as possible, even in the face of local opposition.

## Railways

It should also resist the temptation to cut the finance available for road building if it decides on further public spending reductions. Capital spending has already been allowed to fall too far as a proportion of total public expenditure. There may be arguments about whether the Government has been over-generous towards roads, in comparison with its treatment of other forms of capital expenditure, such as investment in the nationalised industries and in housing. The railways in particular have been treated very harshly in the Government's plans, which have imposed a cut of 21 per cent in investment despite the imminence of a re-equipment bulge, as post-war rolling stock reaches obsolescence. But this is an argument for greater stringency in current government spending, rather than for reducing road building. Britain needs an efficient, modern and reasonably complete road system, and the Government's plans should within the next ten years provide this.



Men at the top at BNOC (left to right): Mr. Ian Clark, head of BNOC (Ventures); Mr. Ronny Utiger, present chairman and chief executive; Mr. Alastair Morton, resigning senior chief executive; Mr. Philip Shelbourne, chairman designate; Mr. Malcolm Ford, head of BNOC (Development) and Mr. Jerry Evans, "arch-administrator."

## Sound of gunfire at BNOC

BY RAY DAFTER, ENERGY EDITOR

WHEN Mr. Alastair Morton announced that he was resigning as a senior executive director of British National Oil Corporation he did so in the manner of an angry prospector backing out of a Gold Rush saloon bar. The verbal shots went winging around the oil industry.

The resignation and comments last Friday were prompted by the Government's appointment of merchant banker Mr. Philip Shelbourne as the new chairman of BNOC. Mr. Morton was angry not only because it was known he did not see eye-to-eye with Mr. Shelbourne but also because he had first learned of his new boss through newspapers. The shots rang out.

"It was a bad appointment, badly made," he fired. "It makes you wonder how this Government expects to get good management in the public sector if it behaves in this way."

"The Prime Minister should realise that you cannot put together the management of major industrial corporations in the way you choose party political leaders."

Then, as a passing shot, he lamented: "I am very sad to be leaving an outstanding and successful team that I have been deeply involved in building up."

The comments have caused wry smiles among some of the hard-bitten oil men working in the private sector. In the past they have been keen to portray the state corporation as something of a renegade organisation with a management structure cobbled together and lacking real oil industry expertise.

Such remarks partly reflected the private sector's concern about privileges which were heaped on BNOC by the former Energy Secretary, Mr. Anthony Wedgwood Benn. The corporation was authorised to apply for drilling licences whenever and wherever it wanted; it was given first refusal on any deal that involved changes in licence conditions; it was given an automatic seat on all offshore operating committees, and thus access to most of the data; it was exempted from paying Petroleum Revenue Tax and allowed to draw on funds from the National Oil Account; and it was given a statutory role of Government adviser.

Now that these privileges

have been stripped away by the present Administration, private companies have become far less hostile to the Corporation. BNOC is now much more readily accepted as a substantial and technically-competent partner in the North Sea venture. No one can deny the corporation its importance and influence.

Today, only four and a half years after its creation, BNOC is handling around two-thirds of all the oil produced on the UK Continental Shelf. Its share this year should amount to around 1.2m barrels a day—crude worth over \$8.5bn during 1980, judging by current prices.

As a result of its dominant trading position BNOC inevitably finds itself in the position of price-setter. Price increases this year should boost the corporation's pre-tax profits to over \$300m as against \$75m in 1979. Within the next two or three years BNOC could be seeing annual pre-tax returns of over 51bn.

Apart from being a major oil trader BNOC is also one of the most active North Sea com-

panies in terms of exploration and development; so far it has been involved in about 100 exploration and appraisal wells. This year its capital expenditure should exceed \$300m.

BNOC also has around 18 per cent of the licensed acreage on the UK Continental Shelf—more than any other company. It is the operating company for three fields—Thistle, Beatrice and the just named block 30/17b, Clyde, which is about to be exploited. In addition it has an equity stake in six other commercial oil fields—Ninian, Murchison, Dunlin, Statford, Brae and Hut-son—and one gas field, Viking.

This catalogue of achievements indicates the prodigious growth of this precocious young oil company. It was not so long ago that one of the oil majors complained it was having to sit BNOC on its lap and teach it the oil business. Today the corporation could swallow all

but the biggest companies involved in North Sea oil. The fact that BNOC is where it is today is largely due to the energy and foresight of the first chairman and chief executive, Lord Kearton. He gathered together executives from various businesses and industries and bulldozed BNOC into its dominant position. At his farewell cocktail party last year he told the management team that perhaps the time had arrived for a more ordered, structured existence.

The corporation always has been—and will probably continue to be—a political football, featuring in the policies of whichever Government is in power. Thus it was forced to set up its headquarters in Glasgow for the same sort of reasons that might encourage the Port of London Authority to move to Wolverhampton. Glasgow may not have had any real oil connections but it did have unemployment and a significant Scottish political vote.

For its part the Conservative Government is considering ways to restructure BNOC. Mr. David Howell, Energy Secretary, has said that he wants to introduce private capital into the organisation—or at least give the public a chance to have a stake in its wealth.

Pushed and pulled by Cabinet colleagues from Downing Street, the Treasury, and the Foreign Office, Mr. Howell is still agonising about how this should be done. Part of BNOC may be put into private hands through the issue of shares. The Energy Secretary has said that he sees no overriding reason why the corporation's operations side should remain wholly in state hands, a philosophical view shared by many of his Conservative colleagues. He concedes, however, that BNOC's oil trading arm should remain state-owned in the national interest.

Under this scheme BNOC would probably be split into two: a part state-owned company (like British Petroleum) engaged in exploration and production, and a wholly nationalised trading operation. BNOC's management team has made it clear to Mr. Howell that it is against such a move. It wants the corporation to be retained as a fully-integrated state-owned entity. What has still to emerge in

this whole debate is the significance of Mr. Shelbourne's appointment. As chairman of bankers Samuel Montagu, Mr. Shelbourne has been advising Mr. Howell on ways to inject private capital into BNOC. Mr. Shelbourne is making no public pronouncements until he takes over as head of BNOC on July 1.

Indecision and uncertainties are clearly playing on BNOC's mind. Even so, the present chairman and chief executive, Mr. Ronny Utiger, believes that "the management structure of the corporation is now very soundly based and sufficiently solid to withstand any shocks that come along."

Mr. Morton's resignation was perhaps the first shock. He is generally acknowledged as the financial brains of the outfit, the architect of an \$825m international loan scheme which, thanks to moving exchange rates, has benefited the corporation at virtually no cost.

Almost as significant a resignation had hit BNOC earlier. Without any ballyhoo Mr. Dick Fowle, the corporation's director of exploration, left in April to become exploration manager of London and Scottish Marine Oil.

The corporation's management committee—the real power house—wears a coat of many colours and origins, in stark contrast to the management boards of private oil companies which are generally steeped in their own individual company traditions.

The chairman and chief executive (for the time being) is Mr. Utiger, head of British

## The prodigious growth of this precocious young oil company

Aluminium. One of his main functions at BNOC has been to create the more ordered management structure that Lord Kearton had advocated. Behind him stand three other main Board members, each with their executive responsibilities: Mr. Morton, who is to leave after a hand-over period, Mr. Ian Clark and Mr. Malcolm Ford. Mr. Morton, a BNOC execu-

tive almost since the beginning was recruited by Lord Kearton from the City as an ambitious young banker (he is now aged 42). Lord Kearton saw Mr. Morton as a potential chief executive. As chairman of BNOC (Trading)—the supply and trading side of the corporation—and executive responsible for finance, personnel and management services, he was regarded as the obvious candidate for chief executive of any trading company established by the Government. He felt, however, he could not work with Mr. Shelbourne.

Mr. Clark was another early BNOC recruit. He had previously earned himself a reputation as a tough negotiator when, as chief executive of the Shetland Islands Council, he had sought compensation for the islanders from oil companies wanting to build the big Sullom Voe oil terminal.

During Lord Kearton's reign he kept a surprisingly low profile. Under Mr. Utiger he has acquired a more definite role, as head of BNOC (Ventures). This group handles all the offshore interests in which BNOC is not the operator. Because of state participation and other Government measures, these venture projects account for a far higher proportion of BNOC's overall business than is normally the case in oil companies. Over two-thirds of BNOC's investment and revenue is tied up in these projects.

The other Board member is a real oil man—Mr. Ford, a recent recruit from the Royal Dutch/Shell Group where he was deputy managing director of Shell UK Exploration and Production. As chairman of BNOC (Development) Mr. Ford has responsibility for the corporation's own exploration and development operations.

There remains one other member of the management committee, Mr. Jerry Evans, a managing director responsible for corporate policy development and international ventures. Regarded as the arch-administrator in the organisation, he has been with BNOC from day one. As a senior civil servant with the Energy Department he was secretary of the organising committee set up in 1976 with a view to BNOC's establishment.

There can be no dispute that the team, with the exception

of Mr. Ford, has limited oil industry experience, but—a fact often overlooked by the public and industry critics—it is backed up by experienced oil technologists. People like Mr. Don Shimmom, managing director of BNOC (Development) who has headed the Thistle Field development project since the discovery was made in 1973. An American oil man, Mr. Shimmom was with Signal Oil and Gas when it was acquired by BNOC when most of Burmah's North Sea interests

## The other Board member is a real oil man

were bought by the state corporation a few years later.

Managing director of BNOC (Ventures) is Mr. Iqbal Shoaib, a Pakistani by birth, who has been in the oil business for 25 years. Mr. Shoaib, a shrewd, likeable man with a good sense of humour, is another former Burmah executive captured in the take over.

Then there is Mr. Ian Gaskirk, a crisply dressed man, who is overall manager for supply and trading. He joined BNOC in 1976 having worked for Shell International in North and South America. He has been at the sharp end of BNOC's rapidly growing trading activities, and has been largely responsible for confounding early critics who doubted whether a new oil company could handle efficiently, and profitably the large trading volumes that were envisaged.

The past four and a half years have not been easy for the BNOC staff. The uncertainty of corporate identity and spirit may still be hard to define—at least, for an outsider—but this is hardly surprising when objectives are being constantly shifted and questioned by politicians. Even so, the corporation has won for itself an important position in the UK offshore oil industry, without dropping too many major clangers along the way. It deserves an early Government decision on its future structure and it has the right to ask for a period of stability thereafter.

## MEN AND MATTERS

## New face in male hunt

Everyone was so distracted by the Law Lord's ruling yesterday that Granada may appeal to the House of Lords against the order that it name its British "mole," that few noticed a new face in the TV company's legal squad. But there, large as life, sat Patrick Neill, QC, distinguished lawyer . . . and president of the Press Council.

Fleet Street's arbiter joins Alexander Irvine, QC, whose stout defence of the rights of the media fell on largely deaf ears in the High Court and the Court of Appeal.

Yesterday Neill did not have a chance to get into his stride. Hardly had he begun Granada's plea to be allowed to appeal, than Lord Diplock chipped in to note that, since "at first blush," the case appeared to be one of considerable public importance, Leonard Hoffman, QC, for British Steel, should say why Granada should not be given leave.

Hoffman's complaint that until they knew who the "mole" was the BBC's "high officers" could not take important decisions "because they did not know who to trust," did not get him anywhere.

## Knights' clash

Break out the indigestion tablets . . . I fear that two important and bulky reports on the conduct of City affairs are threatening to appear in the same week, if not on the same day.

Sir Harold Wilson's study on City institutions (500,000 words) is expected out on June 25. The date appears to come uncomfortably close to that being considered at Lloyd's of London, which is preparing to hit the streets with its 200-page report on self-regulation.



"Judging by your low marks in maths I think your only hope is the Island Revenue."

to be appended to the findings of Sir Henry Fisher and his team. In fairness to all, the solution would appear to be a polite "after you, Sir Harold."

## In love again

The engineer who fell in love with the Post office tower ten years ago has lately grown enamoured of the clock tower of the Palace of Westminster; Big Ben to you.

Followers of this column may remember my recent mention of Colin Rayne, who sold three precision working models of the Post Office tower—one to the Post Office for £1,000—and won wide praise for his skills. Encouraged by the success, he has spent his time since clambering around the innards and examining the original blueprints of Big Ben. The object: to produce 150 miniature replicas in brass for sale to the well-heeled at £1,500 apiece for the basic model and even more for his gold and silver-plated versions. The price is high, he explains, because of four months' research, and two months' work on the prototype.

"To strike and hand-finish the 150 will take me about a year," Rayne says.

Shrinking Big Ben to desk-top proportions, however, is full of problems. "I am still working on the chimes. Most tape recorders are too big. And the British horological trade could not make me a movement to fit," he adds opologically, "so the clock will run from a quartz movement from Japan."

## Package deals

While Grub Street ethics demand that dog does not eat dog, I am surely allowed a nibble at the following dog's breakfast found in the business columns of a Greek newspaper by Anthony Cook, general manager of Atlas Hellenic Insurance in Athens. The occasion was the visit of Bank of England Governor, Gordon Richardson to the Greek capital to discuss trade in "invisibles."

"This trade," the inventive correspondent writes, "consists mainly of small quantities of goods dispatched in the form of small parcels to private persons and not to traders, the contents of which parcels are never registered at the Chamber of Commerce and Industry and therefore change hands outside the control of the chambers on both sides."

Getting a little closer to the mark, the writer explains the presence of City insurance men in the Richardson party with the observation that "the dispatch of these parcels is usually insured."

## Fancied Finn

It's all rather like the Miss World contest without the girls. Brussels is buzzing. Rumours fly, odds are seen and the line-up is overdone with beautifulness as the pundits guess at the man most likely to succeed Ro-Jenkins as president of the European Commission.

The sheep and the goats have been under scrutiny for some time now, however, and in

Venice next week, the EEC heads of government are expected to announce the winner. So far, there has been only one declared candidate, Firm Olav Gundelach, the agriculture commissioner.

The man himself has apparently been re-assessing his chances over the past few days. In Parma earlier this week, he appeared to hold out little hope and confessed that he expected to keep his present job in the political farmyard for the next four years.

Yesterday, however, he was clearly more optimistic. "I am willing to be president if asked," he conceded modestly, "and from what people around me were saying in Parma, I have more of a chance than I previously thought."

He was, after all, still Denmark's official candidate for the job. Suggestions that he was no longer a serious contender had embarrassed him before his government, though, he added, they did not embarrass him personally. "There are points against me. They say I am too kind to third (that is non-EEC) countries, though I would have thought this would be in my favour."

## Diggers' double

The Australians' obsession with egalitarianism is all well and good, but this time, I feel, they have gone too far. My correspondent from beyond the black stump reports that the Victoria State horse, the Totalisator Agency Board, selected as the first leg for its Derby Double the "beginners' handicap" at Mildura trotting races. There, I am told, punters with 50p on the combination of Katie Mulholland (handicap one two-wheeled cart) and Henbit collected \$24,80p. It could have been worse, however. I understand the choice of a first-leg race lay between the Mildura trotting and the Bendigo dogs.

Observer

It's 250 years since the birth of Josiah Wedgwood—congratulations to his successors.





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# Time for Britain to play the energy card

WHEN THE Tories took Britain off the gold standard in 1931, Miss Margaret Bondfield, a former Labour Minister, is said to have remarked: "Nobody told us we could do that."

The Tories have done it again. The Common Market settlement is better than anyone expected even the night before the final negotiations in Brussels last week. Like the Rhodesia settlement, it stems from a willingness to take risks that one somehow never associates with the Labour Party.

It is possible to pick holes in the Government's approach. It is not clear that the Brussels agreement is so significantly better than the package offered in Luxembourg in April as to have justified rejection of the latter and the risk of an outright confrontation. It may also be relevant that the final settlement was reached by foreign ministers, meeting throughout the night as they used to do in the old days of the Community, and not by heads of government. Mrs. Thatcher's absence at the end was probably a blessing.

The fact remains, however, that it is unlikely that such a settlement would have been reached if the Prime Minister had not been prepared to go to the brink. Congratulations are in order, even if one must admit to having felt tremors along the way.

The question now arises of what happens next. For the Brussels agreement is by its nature only an interim solution. Britain has come down from being the largest net contributor to the Community budget to being the second largest. She remains the third poorest member. The arrangements after 1981 are uncertain. The common agricultural policy is

basically unreformed and all that has happened on fishing is that a deadline has been set for reaching a settlement. Moreover, membership of the Community appears to be distinctly unpopular in the country at large.

Anyone who doubts the latter point should consult a comprehensive public opinion poll conducted by Gallup for the Sunday Telegraph in April. There is now only one set of issues on which more people think Britain rather than the reverse, and that concerns defence and external relations. Even there the number has fallen sharply since the Common Market referendum in 1975. Five years ago, for example, 52 per cent of those polled thought that membership gave Britain a

## Britain has most to gain from an EEC common energy policy

better position in the world, while 20 per cent thought the position would be better outside. In April the figures were 33 and 31 per cent respectively. On every other subject more people thought that Britain would be better off outside the Community than in. The issues included prices, wages, the level of taxation and employment and the general standard of living. On the question of how people would vote in a new referendum, 59 per cent said they would choose to get out and only 27 per cent to stay in.

It seems unlikely that these views will change substantially overnight merely because there has been a budget rebuke.

The Government's task, therefore, is to use the next two years

or so to show that British membership works. It will have to do so against the strong possibility that the Labour Party will come out in favour if not of total withdrawal, then at least of something very close to it.

Here are a few random suggestions:

The fundamental problem is that Britain has no obvious material or emotional stake in the Community with which the British people can easily identify. The French have the common agricultural policy and Franco-German unity. The Germans have a wider market for their industrial goods and a respectability for their foreign and economic policy aims that might have been denied them if there had been no Common Market. The smaller members have the benefit of belonging to a larger economic and political grouping.

Only Italy is like Britain, belonging to the Community but with few obvious rewards and no obvious role to play. That is why the Italians have been so anxious to maintain British membership. They want a counterpart to the Franco-German relationship.

The British Government must establish an identifiable stake in the Community, with which its citizens can associate themselves. The most promising area is energy. Britain is unique in the Community in having oil, gas and coal as well as nuclear technology. If there were a common energy policy based on one of the principles of the common agricultural policy—namely a levy on imports from third countries—Britain would be the major beneficiary. The budgetary imbalance would disappear overnight.

At the very least, the energy card should now be played. It may not be quite as strong as



Two pipe-smoking contenders (besides Mr. Benn) for the Labour leadership are none-too-keen on the EEC: Mr. Peter Shore (left) and Mr. John Silkin at the party's special congress, at Wembley, London, last week.

the rest of the Community believes, but it is still the best card we have and energy is one of the Community's most pressing problems.

There are other, related possibilities, one of them being research and development. The Brussels Commission has been going on about this for years: for instance, in aerospace. But there is still no identifiable European R and D Community. The Government should push for it and seek to have it sited in Britain.

Regional and social policies may be unpalatable to Mrs. Thatcher's Conservatives as smacking of subsidies, though it is notable that her Government has not turned them down when offered. There are areas where they could be politically and economically advantageous.

Merseyside, South Wales and parts of Scotland come to mind. But the best example is Ulster. If the call by Mr. Charles Haughey, the Irish Prime Minister, for an Anglo-Irish approach to the Northern Ireland problem could be backed up by Community investment, we might be well on the way to a solution. It was, after all, membership of the Community which gave Ireland confidence and relative affluence. The Community approach could be applied to the north.

The essential point would be openly to acknowledge any investment help from Europe rather than grudgingly to play it down. The Community must become more visible. Curiously enough, the trades unions here may be ahead of the Government. It is they, rather than

Mrs. Thatcher, who have gone to Brussels to seek help for the declining regions. The Government, too, might now learn how to use the Community institutions and to advertise their benefits. There must be certain attractions for the Tories in having the unions pro-Europe.

Returning, however, to the world of Lord Carrington, there are also potential foreign policy gains. Political Co-operation in Europe (known in the trade as POCO) is still largely unutilised. It takes place outside the Treaty of Rome. Yet in recent years it is perhaps the Community's major achievement, appreciated as much by Mr. Callaghan when he was Prime Minister as by the French who were once sceptical of it.

It is time to go public and recognise Political Co-operation as an open treaty between European countries which share common interests. The alternative is the continuation of an undeclared Franco-German hegemony. The British Government should now be thinking of ways of turning POCO into a more formal organisation. At present, we have an arrangement from which those involved rightly say that we benefit, but which few people know anything about, including the House of Commons.

So much for the Government side. For the first time since Britain entered the Community, there is an opportunity to behave as a full and enthusiastic member negotiating from within. But the time is limited because of the likely behaviour of the Labour Party and because of the need to win over public opinion before a general election approaches.

Labour's position on Europe is complicated by uncertainties about what is to happen to the party's constitution and who will succeed Mr. Callaghan as leader and when. Yet whatever the outcome of those battles, it seems improbable that the party will easily accept membership of the Community on present terms.

If Mr. Anthony Wedgwood Benn and his supporters succeed at the annual conference in October in making conference decisions binding on the parliamentary party, the next step will almost certainly be a demand to withdraw from Europe. If they fail, they are likely to seek to hedge membership with conditions that are almost impossible to fulfil.

Nor is it only Mr. Benn. Two possible candidates for the succession to Mr. Callaghan—Mr. Peter Shore and Mr. John

Silkin—are basically against membership except on terms that would be unacceptable to the rest of the Community. Indeed, Mr. Silkin came out in favour of withdrawal yesterday.

The assumption in Mr. Callaghan's camp this week is that Mr. Benn's demands for reform of the party organisation will be defeated by the unions. In that case, there are only two possible Labour leaders in the next few years: Mr. Callaghan himself or Mr. Denis Healey. One might add Mr. Roy Hattersley as an outside bet in the event of Mr. Callaghan delaying his resignation too long or something happening to Mr. Healey. But all three would be basically pro-Europe and likely to resist demands to take Britain out.

The problem is that the conviction is not all that strong and that there will be all sorts of party pressures to weaken it still further. It is also true that it is much easier to think of reasons why Britain should not withdraw from Europe than to put the positive case for staying in. The likelihood is that Labour will attach yet new conditions to membership and seek what amounts to another renegotiation.

One's own view, for what it is worth, is that Mr. Callaghan will probably succeed him. Yet on Europe the onus remains on the Tories. They have won better terms. They must now have the daring to exploit them.

Meanwhile, no-one should underestimate the underlying nationalist streak in this country. It was the same Tories who cheered the Brussels agreement who, a few weeks before, had cheered the rejection of the not vastly dissimilar Luxembourg offer.

Malcolm Rutherford

## Business names

From Mr. R. B. Selwyn.  
Sir—Your readers are probably aware of the proposals contained in the recently issued Department of Trade Consultative Document relating to the Registry of Business Names.

In brief it is proposed to repeal the Registration of Business Names Act 1916 and along with this, abolish the Register of Business Names, and introduce a new statutory requirement for businesses to display relevant information at business premises and on business documents.

While there has been much published adverse comment from the business community regarding abolition of the register, concern has been lessened because it became known that certain private commercial organisations were prepared to take over and administer the register so providing continuation of this invaluable business asset.

However, from correspondence with the Companies Registration Office it has now become clear that the Government "is not prepared to contemplate a statutory requirement for businesses to deliver information to a private register or to license a register to carry on the existing statutory functions."

Without any obligation at all on the part of businesses to register their trading names, we view a very serious and unsatisfactory situation developing, full of potential conflict and uncertainty. We strongly urge those members of business and commerce most likely to be affected by the abolition—the financial and banking communities, the accountancy and law professions, etc., to make their views known to the Registrar of Companies without delay. Comments must be received by the Department of Trade, Room 3.48, Companies House, Cardiff, no later than June 30, 1980.

R. B. Selwyn, Director, Microinfo, PO Box 3, Newnam Lane, Alton, Hampshire.

## Company registration

From the Registrar of Companies in England and Wales.  
Sir—I would be grateful if, following the advice given in the Business Problems Column of your issue of May 27, you would again draw to the attention of your readers my readiness to take action to strike a company off the register under Section 353 of the Companies Act 1948 when it is no longer in business or in operation. A simple request to take such action will result in a far speedier dissolution of the company than would be achieved if it did no more than fail to file annual returns and ignored subsequent letters of reminder.

D. B. Nottage, Companies House, Crown Way, Maidway, Cardiff.

## Question of priorities

From Mr. J. D. Sutherland.  
Sir—You reported yesterday that the BBC had axed five orchestras because it could not afford them. How, then, can they justify employing three

## Letters to the Editor

commentators for cricket matches, panels at half-time during football internationals (when the viewers would far prefer to watch the massed bands), or the troupe they sent out to the West Indies to explain the lunatic behaviour of alleged sugar strikers.

Outside broadcasting, in particular, suffers from profligate waste at all levels, but presumably the BBC mandarins justify it all because sport appeals to the masses, while classical music is a relatively minority cult.

J. D. Sutherland, 41 Westella Way, Kirkella, N. Humberstone.

## Value for money

From Mr. N. A. Blitch.  
Sir—I do not know whether Mr. John Price (June 4) is naive, or whether he thinks our readers are. We are asked to believe that retailers and consumers seeking value for money are primarily concerned, when making purchases of cutlery, as to the origin of the product. That is, in learning that an offer of cutlery originated in Korea or other "low" wage countries allegedly employing "sweated" and "underpaid" workers, they will drop this foreign merchandise like a hot potato and reach for an alternative British made product costing two, three or more times the cheaper import.

Regardless of what the finding of Mrs. Oppenheimer's Ministry may have revealed, I can assure Mr. Price that in spite of any legislation in connection with country of origin marking, consumers, given a choice, will opt for the lowest priced article where the issue of quality, though important, is of secondary consideration. In other words, consumers seeking quality first (and with price of lesser importance) go to a recognised high class retailer like Asprey's or Harrods, whereas those with low or modest incomes will search for cheap bargains at the local bazaar or chain-stores.

Mr. Price's concern for consumers, though touching, smacks of hubbub! Insisting that an article of manufacture be stamped with "Made in Korea" or "Made in Britain" will carry much more weight with the average hard pressed consumer is wishful-thinking. Wishful thinking is not going to solve or regenerate the UK cutlery (or any other) industry. Value for money will!

N. A. Blitch, Free Trade League, 177 Vauxhall Bridge Road, SW1.

## Cigarette advertising

From Mr. T. P. F. Miller.  
Sir, Ronnie Kirkwood's spirited defence of cigarette advertising made an interesting point about the content of cigarette ads. As he said, most of them contain not much more than a picture of the pack. Usually this is straightforward, as in the current Vanguard ads; sometimes a surrealist approach is adopted, as in the Benson and Hedges ads in which elegant and modish ladies are played with an exceptionally attractive pack. But nearly always the pack is definitely hero.

devote fantastic expenditure and effort to designing, naming and researching new packs. In the search for maximum acceptability more talent is devoted to pack design than to any other element in the marketing mix. "Acceptability" is the key. For if the pack is highly acceptable and if the advertisement stars the pack as hero, then it follows that the advertisement will tend to make the cigarettes acceptable, and through this, to make smoking acceptable.

Perhaps the way to make smoking unacceptable lies as much with controlling pack design as with controlling advertising. T. P. F. Miller, 74, Lissenden Mansions, Lissenden Gardens, NW5.

## Slow off the mark

From Mrs. Peggy Marchant.  
Sir—In these times of business anxiety your readers may be encouraged to learn that there is at least one British industry which is doing so well that it cannot even find the time to reply to enquiries. I refer to domestic double glazing.

On April 29 I sent inquiries to seven major companies, asking for quotations for finished units, giving full specifications. To date I have received one reply.

Can the lack of external competition have anything to do with this? Peggy Marchant, The Stables, 73, Pound Road, Banstead, Surrey.

## Rail travel on business

From Mr. S. D. Hicks.  
Sir—In his letter published on May 29, Mr. Francey has overlooked the fact that a UK businessman, or indeed any other traveller, can have unlimited travel within the UK for 14 days using a British Railways All Line Rover ticket for £120 second class or £180 first class. Similar tickets are available to overseas travellers within the UK at considerably reduced rates if the tickets are purchased abroad. Railover tickets are usually available between March 1 and October 31.

S. D. Hicks, 15, Ashton Drive, Ashton, Bristol.

## Laffer Curve complications

From Mr. Peter James.  
Sir—The Laffer Curve is certainly a dubious theory, but Anatole Kaletsky's purported dissection (Lombard, May 30) is intellectually disreputable. He claims to undermine it, firstly, by pointing to the nugatory effects of Mrs. Thatcher's cut in basic rate to 30 per cent; yet as everyone knows the rise in VAT to 15 per cent meant that that cut was part of an exercise in switching from direct to indirect taxation, not a cut in total taxation—which, if it is to make any sense at all, is what the Laffer Curve must relate to. Secondly, Mr. Kaletsky claims that the success of Proposition 13, being (as he suggests) a vindication of Keynesian demand management, cannot be treated as supporting the Laffer Curve. Yet any undergraduate could tell him that there is no

## Calendar change

From Mr. P. L. Griffiths.  
Sir—Janet Marsh in her otherwise excellent review of Samuel Pepys's papers (May 31) is incorrect about the change of the English calendar which did not occur till 1752 nearly 50 years after Pepys's death in 1703. What she presumably has in mind is the difference between the English and Continental calendars during Pepys's life.

One of the principal reasons for the change of the English calendar in 1752 was to conform to the Continental calendar. P. L. Griffiths, 41, Gloucester Place, W1.

## Training apprentices

From Mr. A. D. Walshe.  
Sir—Your report on the Economic Review published by the National Institute of Economic and Social Research repeats the myth concerning craftsman training that, in the British system, "the emphasis is on serving time" and that consequently "changes in the system of training are necessary."

Many people fail to realise that our present engineering apprentice scheme consists of three elements, only one of which has a fixed period. These three elements consist of a first year off-the-job training period, and then the completion of two modules designed to prove that the apprentice has acquired the skills necessary for designating himself a craftsman. There is no time condition for the acquisition of the skills in the two modules, although it would be most unusual for anyone to acquire the skills with less than six months training, followed by six months experience.

It is a fact, however, that management frequently does not want to pay a skilled man's rate to a young man of 19. It is also a fact that local negotiating committees will refer to "people serving their time." It is a further fact that many potential trainees are not accepted for craft training because of insistence in some quarters on academic qualifications which may not be relevant for the practice of the craft.

It is these last three issues which need to be changed, not a training system which has been followed for not more than a decade. The valuable work done by the EITB in producing an apprentice training scheme which is of relevance today should get much greater recognition than apparently it has done. A. D. Walshe, 50, Wyllam, Great Hollands, Bracknell, Berks.

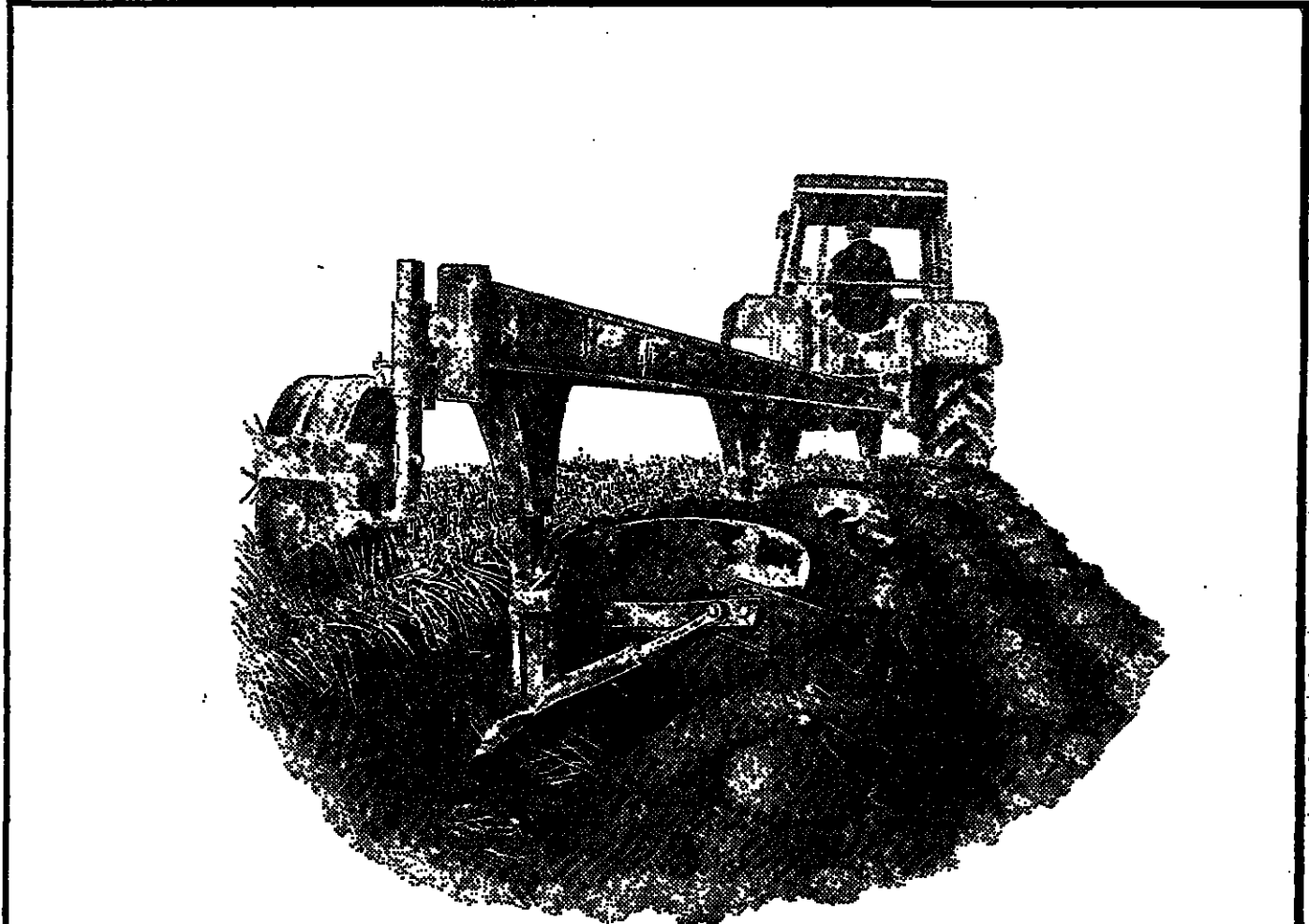
## Today's Events

GENERAL  
UK: Sir Keith Joseph, Industry Secretary, opens new Landis and Gyr factory, Chase Road, Acton.  
Sir Geoffrey Howe, Chancellor of the Exchequer, speaks at Framlingham, Suffolk.  
Mr. William Whitelaw, Home Secretary, speaks at Norwich.  
Mr. Adam Butler, Industry Minister, speaks at Ilkeston.  
Mr. Mark Carlisle, Education Secretary, speaks at Dorchester.  
Queen Elizabeth, the Queen Mother, unveils statue of Field Marshal Montgomery, at The Green, Richmond Terrace, SW1.  
Two-day International Coin

Fair opens, Cumberland Hotel, London.  
Sewing Machine Trade Association conference and exhibition opens, Harrogate (to June 9).  
Sir Peter Gadsden, Lord Mayor of London, lunches with Management Consultants Association, Mansion House; dines with Apothecaries' Society, Apothecaries' Hall.  
Overseas: Mr. Saburo Okita, Japanese Foreign Minister, arrives in Rome for talks with

Sig. Emilio Colombo, Italian Foreign Minister.  
PARLIAMENTARY BUSINESS  
House of Commons: Reminding stages of the Films Bill and New Towns Bill.  
COMPANY MEETINGS  
Aberthaw and Bristol Channel Portland Cement, Angel Hotel, Cardiff, 12.30. Charles Hill of Bristol, 129 Cumberland Road, Bristol, 11. House of Lerosse, Metropole Hotel, National Exhibition Centre, Birmingham, 12. Laporte, Chartered Insurance Institute, 20 Aldermanbury, EC.

12. Leadenhall Sterling, Cayzer House, 24 St. Mary Axe, EC, 12. Lec Refrigeration, Shripney Works, Bognor Regis, 11.30. Rugby Portland Cement, Crown House, Rugby, 12. Scottish TV, Cowcaddens, Glasgow, 12. Stewart Wrightson, The Baltic Exchange, 14-20 St. Mary Axe, EC, 12. Watts, Blake, Bearne, Manor House Hotel, Moretonhamstead, Devon, 12.  
COMPANY RESULTS  
Final dividends: Anglo-Indonesian Corporation, John Beales Associated Companies, Bishop's Stores, Fobel International, Francis Parker, Trifius and Co.



# Who on earth are Steetley?

One of Britain's top hundred companies, Steetley's international operations network is vitally important to agriculture and manufacturing industry alike. To help in maintaining agricultural productivity we supply a wide range of minerals and speciality chemicals whilst Steetley minerals and bricks are used in the construction industry as well as in the manufacture of high quality metals.

But this is just part of the story. Our huge mineral-based chemical and materials supply operation is also essential to the success of many other industries - including ceramics, oil, glass, fabrics and plastics.









## Companies and Markets

## UK COMPANY NEWS

## BP net income rises to £505m in first quarter

ON A historical cost basis, net income of British Petroleum rose sharply from £270m to £504.7m in the first three months of 1980. Again, it was significantly affected by having to use the FIFO method of stock accounting at a time of increasing costs of oil supplies.

The directors continue to believe that a better appreciation of the group's profitability is provided by net income based on CCA—the first quarter figure on this basis is up from £120m to £161m.

Net income per share historically is stated as £2.52 against 17.5p and 10.4p (7.7p) based on current cost income. Principal factors underlying the first-quarter results compared with 1979 are the improvement in *Solids* contribution and continuing good results from North Sea production but offset by the difficult trading conditions mainly in Europe.

Sales and operating revenue

rose from £5,060m to £5,490m. Net income is after tax of £895.7m (£895.8m) and minorities, £142.7m against £58.3m.

UK tax at £424.5m shows a £289.4m rise on the 1979 first-quarter primarily as a result of a £190.2m rise in provision for PRT.

Oil trading conditions remained confused throughout the first quarter with continuing price variations between producer governments.

BP has adequate supplies for the immediate future but sales revenues in the major European markets are at present insufficient to cover replacement costs, the directors say.

Outside Europe it has generally been possible for the group to recover the increase in the cost of oil supplies.

Chemicals and plastics sales performance was satisfactory over much of the first quarter but has suffered a sharp de-

terioration in practically all areas since March.

This decline is particularly marked in the UK where product selling into the textile and construction industries is badly down. Sales of chemical products totalled 1.1m tonnes, compared with 1m tonnes in the first quarter of 1979.

Capital expenditure totalled £271m compared with £225m excluding the acquisitions made last year totalling £34m. Working capital, excluding liquid resources, this quarter increased by £534m as a result of increases in oil prices.

Additional sums will be necessary in the second quarter to cover further increases in the group's operating costs since March 31. Funds on the scale required can only be generated from a continuing strong financial position, the board warns.

Lex, Back Page

## Smart sees at least £1.3m profit

A forecast of pre-tax profits not less than £1.3m for the year to July 31, 1980, is made by the directors of J. Smart & Co. (Contractors) in their interim statement. Last time the taxable surplus amounted to £1.27m.

The net interim dividend is raised from 0.605p to 0.86p, and the directors expect to recommend a final of 2.3p, against 2.145p.

Demand for the services of the contracting industry in the areas in which the group operates remains at a relatively low level, resulting in keen competition for such work as is available. Turnover in real terms is down, they add.

The forecast full-year profit would be made up of trading surplus £1.29m (£1.21m) and profit of sale of investments, £10,000 (£89,459).

## Hickson &amp; Welch up £0.6m midway

WITH DULL market conditions affecting its UK chemical companies, Hickson & Welch (Holdings) earned pre-tax profits of £4.4m for the half year to March 31, 1980. This compares with £3.81m last time, but this figure was reduced by some £1m due to the effects of the road haulage dispute.

Dr. T. Harrington, the chairman, says there has been little change in the group's overall position since his annual statement in January, although some overseas companies have done better than expected.

He repeats his forecast that for the year as a whole it will be difficult to show an improvement on last year's results, when taxable profits were £8.06m.

Turnover for the first half increased from £40.78m to £48.72m. Profits were struck after interest charges up from £430,000 to £771,000, but included investment and other income of £188,000 (£168,000) and

## BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

**TODAY**  
Interim—Dobson Park Industries.  
Finals—Anglo-Indonesian Corporation, John Beales, Bishop's Stores, British Vending Industries, Fobol International, Macanac (London), Rowton Homes, Trielus.

**FUTURE DATES**  
**Interims**  
Thermal Syndicate ..... July 3  
Westland Aircraft ..... June 18  
**Finals**  
Aero Needles ..... June 10  
Baker Perkins ..... June 19  
Bent Walker ..... June 12  
Dominion and General Trust ..... June 19  
Hill Samuel ..... June 12  
Johnson Matthey ..... June 18  
National Carbonising ..... June 16  
Powell Duffryn ..... June 25  
Sumrie Clothing ..... June 10  
UKO International ..... June 12

associates' contributions of £79,000 (£95,000).

Tax charge jumped from £1.04m to £2.23m and after preference dividends, profits available for ordinary holders emerged lower at £2.17m, against £2.77m.

Earnings per 50p share are shown down from 14p to 11p, while the net interim dividend

is kept at 2.5p, costing £488,000 (same) last year's final was 5p.

The group's principal activities comprise chemicals, timber products and building materials.

● **comment**  
The market liked the top line, marking the shares up 3p to 155p on boosted pre-tax profits

despite expectations at the beginning of the year that Hickson & Welch would no more than mark time. But the shine comes off with the doubled tax charge, reflecting both the peaking of the capital expenditure programme and running down of stocks. The extra profits have come largely from the Singapore timber preservation subsidiary, which works on major contracts and takes in profits only on completion. Back home, the gas bill is £1m higher this year, but there is some consolation from the settling-down of the toluene price, one of the company's main feedstocks. The new catalytic hydrogenation plant is in and working smoothly, but the benefits will take time to work through as the older processes which it replaces are rationalised. The company is making no secret that the full year will see a result none too different to 1979, which gives a fully-taxed p/e of 7.8 and a 7 per cent yield.

## Culter Guard slides to £0.34m and cuts dividend-poor prospects

THE WARNING given by the chairman in his annual statement has been borne out in the full-year results of Culter Guard Holdings. These show that pre-tax profits of this paper-making and converting group tumbled from £787,000 to £387,000 for the year ended March 31, 1980, while the net dividend is being cut from 1.5p to 0.5p per share.

Although first-half profits were up from £122,000 to £228,000, Mr. Roger Fleming, the chairman, told members that it was difficult to be optimistic about the year's outcome.

He now reports that the industry background generally has been very difficult, compounded by the problems of increased costs of raw materials, energy and high interest rates.

Owing to the depressed state of the economy, orders have been scarce and pressure on margins has been intense. As a result, the group has had to curtail production and in February closed its smallest paper machine.

"Prospects for the immediate future are anything but bright," Mr. Fleming adds.

Turnover for the year improved from £22.4m to £24.85m. Depreciation charge was £883,000 (£856,000) and interest was up from £188,000 to £327,900. Earnings per 25p share dropped from 4.79p to 3.17p.

for a proposed issue of series "A" convertible preference shares. Consolidated Bathurst Inc., the major shareholder, has agreed to acquire approximately 20 per cent of the issue, which is being underwritten by Wood Gundy and Peters and Co.

## Brooke Tool grows

PRE-TAX profits of Brooke Tool Engineering (Holdings) advanced from £212,000 to £319,500 for the half-year to March 31, 1980, and the directors expect another record year. Last time, the taxable surplus reached £468,000.

Interest charges jumped from £44,700 to £107,300 for the six months. Turnover rose by £3,02m to £5.27m.

The net interim dividend is increased by 20 per cent from 1.21p to 1.45p—last year's final was 1.6775p.

Interest charges jumped from £44,700 (£31,300) related mainly to ACP and the directors do not consider that there will be any other charge for the period.

● **comment**

It may be a little early to be certain, but the engineering industry could be developing something of a profitable substrate. The problems of the major companies are well enough known but the difficulties imposed by strikes and intensive international competition do seem to be passing the specialist

second liners by. Brooke Tool believes that the tiny fragment it has captured of the machine and cutting tools sectors is mostly immune to economic swings and the message transmitted by the 50 per cent interim improvement seems to be that low volume, high value added engineering applications will sell at a good profit, given efficient management, so long as the mining and armaments industries are buying. And, equally, engineering skills will always find a market for a short production run in the automotive and general manufacturing sectors. The balance sheet is strong and the expansionary effort in the U.S., coupled with the £500,000 plus capital spending programme this year, will not be enough to reverse cash flow generation. Yet the idea that small is beautiful has one unfortunate corollary: the institutional market for the shares is almost non-existent. For all that, the shares at 51p, up 1p yesterday, are a little way out of line given historic fully diluted earnings of 7.5p per share and a yield of 8.2 per cent. It would still be nice to think that Brooke will widen marketability with a large, equity-backed, acquisition.

## AUTOMATED SECURITY

The £3.1m rights issue of 8 per cent convertible unsecured loan stock of Automated Security (Holdings) has been subscribed at to £2.9m, or 92.3 per cent. The remainder has been sold in the market.

The basis was £3 of stock for every 10 ordinary shares held and £6 of stock for every nine convertible cumulative redeemable preference shares at par.

## Guthrie Corporation

## Mr. Mark Gent, OBE, reports another record year

| Preliminary results for year to 31 December 1979 | 1979<br>£000 | 1978<br>£000 |
|--|--------------|--------------|
| Operating Profit—                                |              |              |
| South East Asia                                  | 25,940       | 20,540       |
| North America                                    | 5,883        | 3,468        |
| Europe   | 295          | 179          |
| Australia  | 421          | 297          |
| Africa and Middle East                           | 278          | 978          |
|  | 32,817       | 25,462       |
| Interest   | 5,313        | 4,565        |
| Profit before taxation                           | 27,504       | 20,897       |
| Assets attributable to ordinary shareholders     | 207,525      | 174,174      |
| Earnings per ordinary share                      | 38.5p        | 31.0p        |

It is with considerable pleasure that I can report that the Corporation has had another successful year.

Profit before taxation has set a new record and in consequence it has been possible for the Board to recommend a further substantial increase in the total dividend for the year.

## Results for 1979

Profit before taxation was £27.5 million in 1979, nearly 32% higher than the £20.9 million returned for 1978. Earnings per ordinary share were 38.5p per share (1978: 31.0p per share).

If overseas profits had been translated at exchange rates ruling on 31 January 1979, to compare with the forecast then made, the Corporation's profit before taxation would have exceeded £30 million.

## Dividend

An interim dividend of 9p per share was paid on 2 April 1980. The final dividend recommended for 1979 is 21p per share.

The total dividend for the year of 30p per share compares with 10p for 1976, 15p for 1977 and 21p for 1978.

## Taxation

The overall taxation charge includes £1.9 million of unrelieved Advance Corporation Tax.

## City and International Trust

The acquisition of City and International Trust Limited was completed satisfactorily, in spite of attempts by certain Eastern shareholders to frustrate it.

The Board was grateful for the continuing expressions of support and confidence which came from the overwhelming majority of independent shareholders.

Realisation of the Trust's investment portfolio has raised cash in excess of £18 million. It was expertly handled by joint UK brokers, Fielding Newson-Smith and de Zoete & Bevan, and by Goldman Sachs in the United States.

## Sime Darby

As I said at the recent Extraordinary General Meeting, your Board continues to believe that acquisition of Guthrie by Sime Darby would not be in the interests of the Corporation or its employees.

## Staff

Again, I have to extend our grateful thanks to every member of the staff round the world, whose loyalty and devotion has been remarkable.

The results reflect great credit on the operating managers, who achieved the forecast profits.

## Directors

Directors' fees of £4,000 per annum, payable in fact only to non-executive directors, have been unchanged since 1974. During the period the cost of living has more than doubled and the dividend to shareholders has almost trebled. The increase to be proposed at the Annual General Meeting of £1,000 per annum, which will cost the Corporation £5,000 in a full year, is modest by comparison.

In recent years, the Corporation has adopted a policy of broadly balancing the numbers of executive and non-executive directors. This statement is an opportunity for me to pay tribute to Mr. Patrick Collings, Sir Peter Gadsden, Mr. John Gullick, Mr. John Hogg and Sir Ernest Woodroffe for the very considerable contribution they have made to the Corporation. They are seldom in the limelight, but the time and effort which they put at the disposal of the executive is substantial and invaluable. Sir Ernest Woodroffe and Mr. Hogg are also members of the Audit Committee.

I should pay particular tribute to Sir Peter Gadsden GBE, since this is the year in which he serves as Lord Mayor of London. It is a matter of considerable pleasure that the Corporation can share in his achievement.

## South East Asia

## Plantations

Total palm crops increased as a result both of higher mature acreage and a further significant improvement in yields per acre as our new planting material becomes productive. The Corporation's plantation activities have still to benefit fully from new acreages of oil palm and the increased productivity which is associated with replanting.

Although the acreage of rubber was reduced as the policy of replanting primarily to oil palms continued, improved yields stabilised rubber output.

Prices achieved were better than in 1978 and, together with higher yields, excellent production efficiencies and strong and effective management, resulted in increased profits from the plantation activities.

Guthrie Ropel now owns 56,800 acres of planted land, about one-third of the Corporation's total acreage. In accordance with our agreed policy of Malaysianisation, 40% of the equity of Guthrie Ropel is owned by local investors. The company, quoted on the Kuala Lumpur Stock Exchange, reported an increase in profit before taxation from M\$19.2 million in 1978 to M\$28.9 million in 1979.

During 1979 there has been a continued and rapid escalation in the value of estate land in Malaysia. Your Board therefore considered it appropriate to commission C. H. Williams, Talhar & Wong Sdn, the leading Kuala Lumpur valuers who were responsible for the previous valuation, to produce an updated valuation of our plantation assets. The result, an increase of approximately 36%, is included in the Corporation's consolidated balance sheet at 31 December 1979.

I would like to draw special attention to activities in the plantation sector outside Malaysia, which are becoming increasingly important.

One major development, a joint venture in the Philippines, has recently been announced. In partnership with the National Development Corporation of the Philippines, we are developing 20,000 acres of oil palms at Agusan in Mindanao, the first external plantation group to be accepted as an investor in the territory.

Other similar developments are at an advanced stage of negotiation.

Guthrie International Plantation Services ("GIPS") is also advising on rubber and oil palm development in Sabah, Indonesia, Nigeria, Liberia, Ghana, Colombia and Ecuador, a total of over 250,000 acres.

In the four years since it was decided to make the wealth of Guthrie plantation expertise available to other territories, GIPS has become one of the world's leading plantation consultancy services.

## Guthrie Berhad

A further substantial improvement took place in 1979 in virtually all aspects of Guthrie Berhad's business and the company reported an increase in profit before taxation to S\$10.7 million (1978: S\$5.6 million).

Possibly the most significant event has been the Malaysianisation of the agricultural fertiliser interests within Peladang Kimia, in which Guthrie Berhad now has 30% of the equity. Peladang Kimia is proving to be a very successful operation.

It is also satisfying that our other joint ventures in Malaysia had a successful year and that relationships with our local partners are excellent.

Guthrie Berhad was made to feel particularly vulnerable in the early months of 1979, since many trading principals made it clear that a change of ownership of the Corporation would lead to a dramatic loss of agencies. In the circumstances, it is a tribute to the management that the status of Guthrie Berhad has never been higher.

## North America

Three entirely new manufacturing facilities, totalling over 200,000 sq. ft., were established during 1979 for the North American activities—in Winterville, North Carolina, for Ajax Magnethermic; in Mississauga,

The Annual Report and Accounts will be posted to shareholders on 13 June.  
The Annual General Meeting will be held in London on 9 July 1980.

## Europe

The troubles which have beset the carpet industry in the last two years have been so well aired that it is unnecessary to dwell at length on this sector of the business.

Imports of American carpets and carpet yarns, resulting primarily from artificially high rates of sterling, have created a crisis for the UK industry and dramatic changes in its structure will be necessary if it is not to face progressive disintegration.

Well-known brand names, many of which were previously successful, have disappeared in recent months as liquidations and major redundancy programmes have escalated.

The results from our own carpet operations were disappointing but Woodward Grosvenor, the Kidderminster-based subsidiary of British Carpets which manufactures high-quality "Grosvenor squares" and Axminster carpets, progressed and in 1979 produced a very satisfactory return on capital employed.

It became apparent during the year that the decline in the use of resin rubber boxes for batteries was accelerating as alternative materials took over. This had a particularly detrimental effect on Ebonite Containers and since the end of the year we have sold the assets of the company to a battery manufacturer.

Guthrie Trading had an indifferent year, mainly resulting from the difficult conditions in trading with Nigeria. Efforts to broaden the geographical areas of trading, in order to reduce the effects of adverse economic conditions in a single territory, continued. Middle Eastern trade increased as Guthrie Galadadi developed, and the Corporation has taken an equity stake in Booker Merchants International, which is strong in the Caribbean.

## Australia

Reference was made in the interim report to the effect on the textile industry, in a high wage-cost area such as Australia, of changes in import controls.

Palm Beach Towel, which has been the mainstay of the Corporation's Australian profits for several years, has increasingly suffered from duty-free imports of so-called Indian handcraft towels and margins have been eroded in consequence.

Other operations have shown some improvement, however, and, with the cessation of manufacture of latex thread in Victoria, have recorded a modest increase in operating profit.

## Africa and the Middle East

The peaceful settlement of the conflict in Zimbabwe has enabled the Board to incorporate results from its subsidiary, Guthrie & Co., and its associate Karina Textiles.

Results from Africa and the Middle East were depressed in 1979 by very poor trading conditions in Nigeria, as the country prepared for an election and the return to civilian rule.

## Future Prospects

In the turbulent economic and political climate of today, no Chairman can address the future prospects of his company with equanimity.

The Corporation's year has started satisfactorily. Although the worldwide recession is beginning to bite deeply in the United States, particularly in the automobile industry, levels of profitability to date are on budget for our North American operations.

In South East Asia, too, the first few months have been encouraging. Recent weakness in the prices of palm oil and rubber has been ameliorated by judicious forward selling, and prospects for the year remain satisfactory.

Most other Regions are showing a modest improvement for the trading period to date, though the UK is still suffering from a weak home economy and the effect of the strength of sterling on overseas trade.

The second half of the year, and probably the first half of 1981, is likely to be more difficult for certain of our operations.

On the basis of present exchange rates, the value of overseas operating profits in sterling terms would also be adversely affected, as it was in 1979.

Overall, the Corporation is in good health. Many of the rewards for developments in sectors of business where we have a proven record of success are still to mature. We can continue, therefore, to face the future of an independent Guthrie Corporation with considerable confidence.

## UNION MINIERE

## 1979 FINANCIAL YEAR

## IMPORTANT FACTS

Progressive improvement in non-ferrous metals prices.  
Canada: Net revenue of the Thiery mine's financial results.  
United States: Results in deficit due to weakness of the zinc market.  
Brazil: Confirmation of Mineracão Tejuca's profitable results.  
Belgium: Creation along with Prayon and M.H.O. of the Umipray company for the recovery of uranium from phosphates.  
Increase in profits and dividend.  
Extracts from the Statement of Mr. Paul-Emile CORBAU, Chairman of the Board.  
The net result for the 1979 financial year amounts to a profit of 666 million BF compared to 480 million in 1978. In order to better appreciate this increase, it should be recalled that this latter sum had been obtained after the transfer of 1.50 million BF from the provision for expenses and losses. As for the cash-flow, it has increased from 809 to 1,142 million BF.  
We are thus in a position to propose that you raise the net dividend to 50 BF per tenth part of a share, a sum which represents a 25% increase compared to the dividend distributed last year. Without doubt this sum is still quite modest in absolute terms. All the same, we are persuaded that our shareholders will regard it as a very encouraging element in view of the current economic climate and of the fact that our most important investments have not yet reached the stage of profitability.  
Here now are some indications of how our main activities have been developing recently.  
Canada: In these first months of 1980 the operation of the Thiery mine continues at the same rate as it has done during the two preceding years. However, the underground development work was accelerated in order to progressively raise the mine production rate from 80,000 to 100,000 metric tons of ores per month starting in 1981. Exploration of the deposit below the 1,600 foot level gives favourable prospects which, if they are confirmed by work in the coming months, will permit an appreciable extension of the mine's life. Furthermore, the precious metals which are contained in the concentrate now constitute, since the rise in their prices, an important revenue element contributing to improve the operating results despite the rise in production costs. This rise is due to the progressive replacement of open pit ore from underground which is both lower grade and more expensive to mine.  
In the United States: prospecting at the Oracle Ridge copper deposit restarted on 1st April, following the new programme. In line with the agreements drawn up with our partners in March, the work is being undertaken under the management of our subsidiary Union Copper. On the completion of this programme we should be in a position to review the feasibility of the project on the basis of the information which we will then hold on the extent and the various characteristics of the mineralisation.  
Activities at the Jersey Miniere Zinc Co's Elmwood mine are proceeding normally. At Gordonsville, where the development work is approaching completion the start-up of mine production will depend on the medium-term outlook in the zinc market; a decision in this matter will be taken very shortly. The Clarksville electrolytic plant continues to record negative results because of the high cost of the zinc concentrates which it must buy on the open market. This purchased concentrate represents three quarters of its feed. Furthermore, the effects of inflation, particularly on energy costs, have not been compensated for by a comparable increase in productivity. The recovery of the situation depends basically on a substantial improvement in the zinc price.  
The Ocean Mining Associates (O.M.A.) joint venture continued its activities at a much reduced pace. All the groups engaged in the investigation of the recovery and treatment of ocean nodules have adopted a wait-and-see attitude in the face of the lack of progress made in the course of the first part of the ninth session of the Conference on the Law of the Sea. As it is unlikely that any international legislation assuring private enterprise a minimum of guarantees in this matter will be enacted in the more or less short term, a serious reactivation of work on these projects cannot be envisaged before the promulgation of international legislation. In several industrialised countries such national legislation is already being examined by the responsible authorities.  
In Mexico, we have contacts with both Mexican and foreign companies which could eventually become our partners in the development of the Velardeña zinc deposit as in the speeding up to the rate of prospecting at the Cerro Dolores deposit.  
In Brazil, the Companhia Parahyba de Metais zinc plant has been successfully started up; the first cathodes were produced at the beginning of April. However, provision of feed for the plant poses serious problems at this time of general shortage of zinc concentrates. As far as the mining of diamonds and bearing gravels by the Tejuca company is concerned, it was virtually unnecessary to slow down activities during the rainy season thanks to precautions that were taken in the light of experience gained in the preceding year. The fourth dredge, which entered into production at the end of April, is operating in a satisfactory manner. The production rate remains favourable.  
In Belgium the drilling conducted by the Syndicat in which we are associated with the Société Provinciale d'Industrie de Liège and with Vieille Montagne, has intersected good grade lead and zinc mineralisation on the two neighbouring sites at Poppelsberg and Shook. These encouraging results justify the continuation of the work. In addition, the Umipray company's installations for the recovery of uranium from the phosphates treated by the Société de Prayon, were completed within the budget and were put into operation in mid-April as planned.  
Our geological and mining engineering departments are continuing their promotion activities by participating in the creation of the "Société Générale Européenne d'Entreprises et de Promotion" (Sogep) and of "Belgian Mining Engineers" (B.M.E.) as well as undertaking new missions to China.  
Copies, in English, French, Dutch, Spanish and Portuguese, of the 1979 annual report and of the Statement of the Chairman of the Board can be obtained, on request, from:  
UNION MINIERE, S.A.  
Public Relations Service, Rue de la Chancellerie 1, B-1000 Brussels, Belgium.  
Ph. (3) 513,80,90. Telex: 21.551 Um b.

The Guthrie Corporation Limited, 120 Fenchurch St., London EC3M 5AA



## LEIGH INTERESTS LIMITED

A record year

Turnover up £6.8m — 47%  
Pre-tax profits up £437,000 — 66%

|  | 1979/80 | 1978/79 |
|--|---------|---------|
|  | £'000   | £'000   |
| Turnover   | 21,202  | 14,402  |
| Pre-tax profits after exceptional items and before charging associated companies | 1,300   | 840     |
| Associated companies   | (198)   | (175)   |
| Profit before tax  | 1,102   | 665     |
| Profit after tax   | 802     | 558     |
| Dividends: per share paid and proposed   | 5.0p    | 4.355p  |
|  | 389     | 329     |
| Earnings per share   | 10.6p   | 8.0p    |
| Total assets per share   | 101p    | 90p     |

## LOAN STOCK ISSUE

After the year end, a successful issue of £2.5m 10% Convertible Unsecured Loan Stock 1984/85 was made, which provides funds for the continued expansion of our business.

"Despite depressing economic forecasts, it is our firm intention to keep on growing, overcome planning delays, develop new processes and increase the geographical spread of our activities."

Joan Agar Chairman

## LEIGH INTERESTS LIMITED

Experts in environmental activities, including waste treatment and disposal, industrial cleaning, product reclamation, land reclamation, and the development of pollutant-free products. Motor vehicle dealers.

Builders' merchants : quarries and fuel contractors

Lindon Road • Brownhills • Walsall • West Midlands WS8 7BB



## BIDS AND DEALS

# McCleery board urges sale of loss-maker

The directors of Belfast textile group McCleery L/Airic and their financial advisers Morgan Grenfell have urged shareholders to vote in favour of the proposed sale of the business and certain assets of the loss-making Belfast Ropework subsidiary to Benefave.

McCleery intends to use the sale proceeds, expected to amount to £1.2m, to reduce bank borrowings. As at last May 10, the group had total outstanding borrowings of £1.82m, of which £2.08m pertained to bank loans. Benefave, an associate of the Sisalana Group of Brazil, is paying £397,750 for the Belfast Ropework business, including the goodwill, trade marks and names, and plant and machinery, plus a sum equal to the value of the company's stock in trade at end-June this year, estimated to be £500,000.

The remaining £300,000 will represent the balance derived after settlement of its debtors and creditors. Belfast Ropework, which is in the trading (and some manufacturing) of ropes, twines and allied products, has been a continued drain on the resources of the group for some years, incurring trading losses of £587,000, £357,000 and £230,000 in 1977 (14 months), 1978 and 1979 respectively.

Mr. Desmond Lorimer, chairman, said it has resisted all efforts to bring it into profitability, with the market for its products becoming fiercely competitive as a result of world over-capacity.

McCleery suffered a trading loss of £33,000 last year, compared with a trading profit of £414,000 in 1978.

After the proposed transaction, the pro-forma consolidated balance sheet shows that McCleery's net attributable assets should rise to £6.2m (£6m) at December 31 last year.

## MOSS BROS.

The sale of 30,000 shares in Moss Bros, the tailoring group, by a junior member of the controlling Moss family and their subsequent purchase by Stockholders Investment Trust to add to its holding led to a sharp jump in the share price yesterday.

They closed at 255p after a rise of 30p. "It's a very thin market," said Mr. Henry Vanson, Moss's managing director. "Any movement in the shares has an immediate effect."

He said that one of the younger Moss family members had sold the shares because he wanted to go into business on

his own in an area "not remotely concerned" with the tailoring or fashion business.

The Moss family still owns just over half of the group's shares. Stockholders Investment Trust lifted its stake from 8.2 per cent to 8.8 per cent through the purchase.

## Mecaniver takes 7% stake in Pilkington

Mecaniver S.A., a subsidiary of BSN-Gervais Danone S.A., has acquired a 7.07 per cent stake in Pilkington Brothers as part of Pilkington's agreement to buy control of Mecaniver's German glass interests.

Under the agreement, completed this week, Pilkington paid £11m, comprising £8m cash and the rest in Pilkington shares, for Mecaniver's holdings in Flachglas AG and Dahlbusch Verwaltungen AG.

To comply with German law, Pilkington also paid £28m cash for the Flachglas interest in Dahlbusch and it now has 81.5 per cent of Dahlbusch and 61.7 per cent of Flachglas.

## Cowie chairman confident as Ewer bid battle continues

AS THE battle of words between T. Cowie and George Ewer continued yesterday, Mr. Tom Cowie said "he would be very surprised" if Cowie had not achieved control of Ewer by Monday, the first closing date of the Cowie bid.

Meanwhile the Stock Exchange Quotations department is taking a fresh look at Ewer's proposed purchase of Eastern Tractors, a deal which has aroused much controversy in the Cowie camp.

Now the Stock Exchange has requested further talks with Ewer over the Eastern Tractors purchase. Ewer announced on Wednesday that it had received over 90 per cent acceptance from holders of Eastern Tractors, which included industrial and Commercial Finance Corporation with some 33 per cent of the equity. A condition of the Eastern Tractors offer was a listing for the new shares being granted by the Stock Exchange.

In his letter to holders yesterday Mr. Cowie said, "it was highly unlikely" that the 53p offer would be increased. Urging holders to accept he pointed out that although the Ewer board had described the offer as derisory, a director and member of the Ewer family had sold shares over the past year at prices as low as 41p. Mr. Cowie felt that a rejection of the Cowie offer would cause the Ewer shares to fall dramatically.

Cowie, which is bidding a basic 52p per share for the Ewer shares not already owned or 55p if the Eastern Tractors bid fails, has lodged a strong protest with the Stock Exchange over the Eastern Tractors purchase. This involved the issue of 3.6m Ewer shares, representing some 15 per cent of the Ewer equity.

Cowie had earlier complained that the Eastern Tractors deal was of sufficient size to make it subject to holders approval. But after considering the matter the

Stock Exchange last month gave the go ahead to Ewer's acquisition plan.

In his letter to shareholders Mr. Henry Ewer, chairman of George Ewer, claims that the attention the Eastern Tractors deal is receiving is an attempt to divert shareholders' attention away from the real issues, in particular the inadequacy of Cowie's offer.

## QUEENS MOAT-OLD SWAN

The directors of Queens Moat Houses have indicated that they do not intend at present to make an offer for Old Swan (Marrogate) shares not already owned. Moat has 14.98 per cent of Old Swan.

On May 23, the listing of Old Swan was temporarily suspended while discussions took place on a possible offer. The listing is being restored today.

## FRENCH KIER

As a result of a settlement relating to a trusteeship change, O. Kier, president of French Kier Holdings no longer has an interest in 947,265 shares of the company, reducing his holding to 5.23m shares (11.01 per cent).

## MARSH &amp; MCLENNAN

## C. T. BOWRING

Another formality in the takeover of C. T. Bowring by Marsh and McLennan of the U.S., the world's largest insurance broker, was completed yesterday. Loan stock holders approved necessary resolutions relating to the deal at a meeting yesterday.

By Wednesday acceptances of the March share and cash had been received in respect of 108,518,420 existing ordinary shares of Bowring, representing 82.9 per cent of the issued ordinary share capital, and in respect of 187,573 7/8 per cent (now 51 per cent plus tax credit) cumulative preference shares of £1 each of Bowring, representing 83.8 per cent of the issued preference share capital.

The ordinary offers and the preference offer have been declared unconditional in all respects and the convertible stock proposals have become effective.

## Lombard North Central profit dips before tax credit

Pre-tax profits of Lombard North Central, a subsidiary of National Westminster Bank, slumped from £12.5m to £3.25m in the half year ended March 31, 1980 but a £35m tax credit against 59m pushes the net balance up from £21.5m to £28.25m.

Lord Crawford, chairman, says the profit cut is mainly due to high interest rates affecting the profitability of business written at fixed rates. Pre-tax profit was also required to be struck after a £2.5m contingencies provision by Lombard Australia.

The tax credit is a result of the group's continued growth in leasing business, the chairman says.

An increased volume of new business is now being written at rates which reflect current interest levels and together with the investment period method of accounting for leasing which tends to produce higher profits in the second half should result in some improvement, says Lord Crawford.

Current default experience continues to be very satisfactory and if the slight downturn in interest rates recently experienced continues, the prospects are encouraging.

After deductions for minorities and preference dividends, profit attributable to ordinary holders was £28.06m against £31.25m.

Lord Crawford is retiring as chairman and from the board on

June 30. Mr. Hugh Cusick will be the new chairman.

## Owen Owen expects lower six months

Mr. J. A. H. Norman, chairman of Owen Owen, the departmental stores group, told the annual meeting that with some seven weeks still to run in the first half year, the board's projections show that the group result at the end of July will not match the same period of 1979.

He said trade in the UK continued to be difficult and he did not expect any improvement until the company passes the anniversary date of the introduction of the higher VAT rate towards the end of June.

The board, he said, had responded to the situation with increased promotional activity and relentless pressure to reduce overheads without impairing efficiency. The Canadian retailing had not been immune from the growing recession in North America and sales in the Robinson stores at the end of the first four months are at the same level as those achieved in 1979.

He believes the picture will improve as the year progresses.

## Associates help expand Pleasurama to £1.53m

AN INCREASE of £365,000 to £1.53m in pre-tax profits is reported by Pleasurama, the entertainment and amusement holding company, for the half year to March 31, 1980. This figure includes £321,000, against £321,000, from associates.

After tax up from £819,000 to £832,000, profit attributable to £701,000 compared with £549,000. To reduce disparity, the interim dividend is hoisted from 0.825p to 2p—last year's total was 4.825p from pre-tax profits of £3.22m.

The Board states that due to the seasonal nature of some of the group's activities, results for the first half are not necessarily indicative of results for the full year and it is, therefore, too early to forecast results for the current year.

Turnover in the first six months advanced from £8.26m to £8.96m.

● comment  
The 26 per cent pre-tax margin recorded by Pleasurama demonstrates that, despite the

problems at Ladbroke and Coral, casinos remain a money spinner. The Casanova Club has made a first time contribution to associated profits of at least £100,000 and this should increase as promotional expenditure declines and volume expands. Provincial casinos and the Ritz have done well, and Pleasurama is well placed to exploit the current drive in the industry. Licences have been obtained in Hove and Cardiff, while others are pending in Leeds and Luton. Next year, the group will welcome extra income to help cover an extra £450,000 on its gaming tax bill but thereafter profits could show marked growth. Assuming profits for this year of £4.2m (with around £1m coming from associates), the fully-taxed p/e is a modest 4.7. A total dividend of 5p seems plausible and, with the share price at 145p, this produces a yield of 8 per cent. The only unsatisfactory performer at the moment is Pleasurama's small Australian business and this may not survive long.

## BRITISH HOME STORES

Highlights from the Statement by the Chairman, Sir Jack Callard:

- Increased merchandise sales volume
- Improved pre-tax profit margin on sales excluding VAT
- Eight new stores opened—new jobs in many areas
- Major investment programme to maintain growth through 1980's
- Increased dividend provides sound base for progressive distribution policy

|                             | 52 weeks to 29th March 1980<br>£'000 | 52 weeks to 31st March 1979<br>£'000 | Increase % |
|-----------------------------|--------------------------------------|--------------------------------------|------------|
| Sales (inclusive of VAT)    |                                      |                                      |            |
| Merchandise                 | 314,932                              | 247,185                              | + 27.4     |
| Food                        | 63,460                               | 58,850                               | + 7.8      |
| Restaurant                  | 22,863                               | 18,157                               | + 25.9     |
| Total                       | 401,255                              | 324,192                              | + 23.8     |
| Sales (exclusive of VAT)    | 366,346                              | 307,324                              | + 19.2     |
| Profit before taxation      | 41,829                               | 33,578                               | + 24.6     |
| Profit after taxation       | 30,761                               | 22,609                               | + 36.1     |
| Dividend per ordinary share | 8.75p                                | 7.0p                                 | + 25.0     |
| Earnings per ordinary share | 30.0p                                | 22.1p                                |            |

BRITISH HOME STORES

## J. SMART & CO. (CONTRACTORS) LTD.

## Interim Statement

At a Board Meeting on 5th June, 1980 the Directors declared an Interim Dividend per share of 0.86 pence net (0.605 pence) due payable on 7th July, 1980, in respect of the year ending 31st July, 1980. Members holding approximately 50% of the shares have waived their right to this Interim Dividend.

It is estimated for the current year Group Profits before Tax will not be less than £1,300,000 (£1,273,988) made up of Trading Profits of £1,290,000 (£1,214,530) and Profit on Sale of Investments, etc. £10,000 (£59,458).

Demand for the services of the contracting industry in the areas in which the Group operates, remains at a relatively low level with the result that there is keen competition for such work as is available. Turnover in real terms is down and, in all the circumstances, the Board regards these results as not unsatisfactory.

Subject only to unforeseen circumstances, the Board will recommend to the Shareholders, in due course, that the Final Dividend per share for the year to 31st July, 1980 be 2.3 pence net (2.145 pence), being an increase over the previous year of approximately 15%.

## Anglovaal Group

### Declaration of ordinary and participating preference dividends year ending 30 June 1980—Investment companies

Dividends have been declared payable to holders of ordinary and participating preference shares registered in the books of the undermentioned companies at the close of business on 27 June 1980. The dividends have been declared in the currency of the Republic of South Africa. Payments from London will be made in United Kingdom currency and the date for determining the rate of exchange at which the currency of the Republic will be converted into United Kingdom currency will be 7 July 1980, or such other date as set out in the conditions subject to which the dividends are paid. These conditions can be inspected at the registered office or office of the London Secretaries of the companies. Warrants in payment of the dividends will be posted on or about 1 August 1980. The transfer books and registers of members of the companies will be closed from 28 June to 4 July 1980, both days inclusive. All companies mentioned are incorporated in the Republic of South Africa.

| NAME OF COMPANY  | Dividend declared | Capital per share | Total for shares | Notes  | Consolidated profit | Amount absorbed |
|--|-------------------|-------------------|------------------|--------|---------------------|-----------------|
| (Ordinary shares, unless indicated otherwise)  | Number            |                   |                  |        | 1979                | 1978            |
| Anglo-Transvaal Consolidated Investment Company, Ltd. (Participating preference shares of £1 each) | 82                | 95                | 125              | 1.6.3. | 37 106              | 23 324          |
| Ordinary shares of £1 each   | 180               | 180               | 230              | 2      |                     | 10 032          |
| Ordinary shares of £1 each   | 54                | 45                | 85               | 3      | 13 511              | 7 238           |
| (Western Areas) Ltd.   |                   |                   |                  |        | 6 397               | 3 292           |

\* Where applicable the profit figures shown take into account losses but not profits in respect of extraordinary items. All profit figures are after taxation and outside shareholders' interests where applicable.

1. The results of the Company's mining subsidiary, Prieska Copper Mines (Pty) Ltd have not been included in the estimated consolidated results and members are referred to the quarterly report of that company which will be published on or about 16 July 1980. The Company's interest in Prieska Copper Mines (Pty) Ltd will be published in a separate statement in the annual financial statements.

2. This declaration represents 5 cents in respect of the fixed rate of 5% per annum for the half year ending 30 June 1980 and 90 cents, being 50% participation in the final dividend of 180 cents declared on the ordinary and "A" ordinary shares.

3. Amount absorbed by dividends includes preference dividends.

By order of the boards

ANGLO-TRANSSVAAL CONSOLIDATED INVESTMENT COMPANY, LIMITED

Secretaries

per: E. G. D. GORDON

5 June 1980

Registered Office:

Anglovaal House

56 Main Street

2001 Johannesburg

London Secretaries:

295 Regent Street

London W1R 9BT



## Brentnall reduces loss and better second half seen

**FOLLOWING ITS reorganisation, Brentnall Beards (Holdings), insurance broker, reduced pre-tax losses from £607,000 to £335,000 for the half year to March 31, 1980. The anticipated improvement in the group's trading position is continuing, the directors state, and they expect the second six months to produce better figures.**

The position has not been helped, however, by the soft conditions in the worldwide insurance market, they add, in addition the continued "unwelcome" publicity surrounding the affairs of the Lloyd's Syndicate 762 has hindered the development of new business.

Operating deficit was down from £376,000 to £182,000 in the first six months, while the share of associates' losses was lower at £85,000 (£231,000). There was an exceptional debit of £88,000 this time, representing amounts provided against outstanding debts several years old, where recovery is considered unlikely.

Tax credits decreased from £209,000 to £40,000 and after an extraordinary debit of £110,000 last time, attributable losses came out at £298,000, compared with £508,000. Stated loss per 10p share was 3.5p (5.2p).

There is again no interim dividend—the last payment was 0.575p net in respect of the 1977-1978 year.

**Comment**

Cost savings largely account for the reduction in losses within Brentnall Beards, the troubled insurance broker. At the end of its last financial year UK staff totalled 372. This has been returned down to around 54 with

## Massive hidden reserves denied by Ottoman Bank

BY ROBERT COTTELL

**THE BOARD of the Turkish-registered Ottoman Bank has denied speculation that it has massive undisclosed reserves far in excess of its market valuation.** Net worth, the directors say, is around £50 per share, compared with yesterday's market price of £84. It holds no gold, they add.

Shareholders at yesterday's long and occasionally stormy annual meeting in London were told that devaluation of the Turkish lira against the pound has resulted in shrinkage of sterling denominated assets, despite an expansion in business volume. The bank's balance-sheet for 1979 shows assets at £268.7m, against £268m previously.

The bank's business is centred in Turkey, with affiliate companies operating in Libya, Syria and France.

Mr. M. J. Babington Smith, chairman, said the Turkish economy had suffered severe problems in 1979, but he found encouragement in recent government policy there. Lebanese business "made much progress" despite political uncertainty there, he said.

Changes seen by the bank during the year included nationalisation of its Bank of Teheran subsidiary, said Mr. Smith. The Iranian Government was now evaluating the bank's asset value, and he looked forward to a settlement.

The group has also acquired a wholly-owned investment subsidiary, a Luxembourg-registered company called Plagefin which has been largely financed with loans from Ottoman.

Ottoman is now 45.59 per cent held by France's Banque de Paris et des Pays-Bas, which says it regards the investment as a long-term one.

Representatives of a shareholder group threatened legal action against the bank for what they claimed were technical irregularities rendering the meeting unconstitutional. Mr.

Smith replied that he was satisfied procedures had been "properly carried out."

## Plysu jumps to £1.2m

**FOLLOWING the substantial rise in first half profits from £560,000 to £1.34m, Plysu, plastic containers and domestic wares maker, completed the year to March 31, 1980 with pre-tax profits of £2.33m against £1.23m previously.**

Stated earnings per share are up from 10.5p to 14.5p and the directors are effectively doubling the year's dividend to 1.893p with a 1.2145p final.

Turnover improved from £12.25m to £17.32m. The profit includes associates' profit of £8,000 (£7,000 loss) but is after depreciation, £834,000 (£572,000) and interest, £164,000 (£203,000). Tax takes £698,000 against £49,000 and £1.42m (£1.08m) is retained.

The directors say that once more most of the expansion has come from containers with sales up by 42 per cent.

There have been further increases in price of high density polyethylene but this has not affected current performance although for the time being at least the group has been excluded from certain new and attractive markets for larger containers for this reason.

The group is continuing to expand its blow moulding capacity and is also planning to introduce new housewares products later this year.

The expenditure of £1.62m on fixed assets and moulds during the year under review has been

## EZ starts work on Elura mine

BY PAUL CHEESERIGHT

**THE expansion programme of EZ Industries, the Australian base and metals producer, has moved decisively forward with the announcement yesterday that work has started on construction at the A\$160m (£56.7m) Elura lead-zinc-silver project near Cobarr in New South Wales.**

Work started after the completion of negotiations with the state Government on royalty payments and mining rights.

Elura is the second of two projects which should add significantly to EZ's cash flow from about 1982-83 onwards. The first is the development of the Ranger uranium deposit in the Northern Territory, a joint venture with Peko-Wallaseid.

Funds for Elura are coming from an international banking consortium and the mine and treatment plant should be handling 1.1m tonnes by the end of 1982, EZ said. Reserves are put at 27m tonnes grading 8.3 per cent zinc, 5.6 per cent lead and 139 grammes per tonne silver.

Peko-Wallaseid meanwhile is preparing to spend A\$15m on a project to recover 400,000 ounces of gold over the next 20 years from 40m tonnes of tailings dumped at its Mount Morgan mine.

The amount of gold in the tailing averages only 1.08 grammes per tonne, but the high level of bullion prices has made it economic to extract. Peko is following a path now well trodden by South African gold producers.

The existing plant at Mount Morgan produced 7,014 ounces of gold in the 1979 second half from the mine production of Mount Morgan itself and Mount Chalmers.

The announcements of both companies caught the Australian share market on a rising trend and yesterday in London EZ shares were 5p higher at 360p, although those of Peko shipped 5p to 410p.

## Zimbabwe's minerals

**DETAILS of Zimbabwe's mineral production, released for the first time in 16 years, show that in the first quarter of this year the value of the country's mine output jumped more than 80 per cent to Z\$106m (£4m), reports Tony Hawkins from Salisbury.**

It is estimated that over the full year the value will rise by at least one-third to Z\$425m compared with that of 1979. It is pointed out that the impact of higher metal prices is likely to be less in the second half of this year.

Gold is the country's leading export and last year's production of the metal was worth Z\$31m; it amounted to Z\$37.5m in the first quarter of this year. Output of asbestos, the country's second most valuable mineral, was valued at almost Z\$86m last year.

In third place was nickel at Z\$35m, followed by copper at Z\$32m, coal at Z\$26m and chrome ore Z\$16m. Coming up fast were silver Z\$7.3m and cobalt Z\$5.2m.

## Randfontein pays 450c interim

**IN THE latest batch of increased dividends from the South African gold producers, Randfontein is declaring an interim for 1980 of 450 cents (247p), which follows market estimates varying widely between 350 cents and 600 cents.** Last year Randfontein paid an interim of 250 cents and a final of 350 cents.

An interim of 40 cents from Western Areas comes at the lower end of expectations, but it compares with only 12 cents a year ago and the subsequent final of 35 cents. Elsberg, which holds shares of Western Areas, is declaring an interim of 26 cents compared with the 1979 interim of 7.8 cents.

## OTTOMAN BANK

**NOTICE IS HEREBY GIVEN that a DIVIDEND at the rate of £3.10 per Share, voted at the General Meeting of Shareholders, held on 5th June 1980, will be PAYABLE on and after 13th June 1980, in London at 23 Fenchurch Street, E.C.3. The Coupon to be presented is No. 107. The holders of Founders' Shares will receive an amount of £334.36 per whole share payable on the same date and at the same place, against presentation of Coupon No. 50. Coupons must be listed on forms, which can be obtained on application, and left five clear days for examination before payment.**

### M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 5EB Telephone 01-621 1212

| 1979-80 | High | Low | Company               | Price | Change | Div. (%) | Gross Yield | P/E  |
|---------|------|-----|-----------------------|-------|--------|----------|-------------|------|
| 98      | 59   | 49  | Airpropan             | 82    | —      | 6.7      | 10.2        | 3.71 |
| 99      | 26   | 26  | Armstrong and Rhodes  | 34    | —      | 8.8      | 11.2        | 2.21 |
| 100     | 185  | 185 | Bristol Hill          | 282   | —      | 13.8     | 4.9         | 8.31 |
| 101     | 78   | 78  | County Cars 10.7% Pl. | 78    | —      | 16.3     | 18.5        | —    |
| 102     | 63   | 63  | Deborah Ord.          | 63    | —      | 5.0      | 5.4         | 10.2 |
| 103     | 98   | 98  | Frank Wymell          | 117   | —      | 7.9      | 6.7         | 7.3  |
| 104     | 83   | 83  | Frederick Parker      | 83    | —      | 12.8     | 13.2        | 4.31 |
| 105     | 102  | 102 | George Elvir          | 104   | —      | 16.5     | 10.0        | 2.91 |
| 106     | 75   | 75  | Jackson Group         | 104   | —      | 7.2      | 6.9         | 9.1  |
| 107     | 104  | 104 | James Burrough        | 229   | —      | 14.3     | 6.4         | 5.81 |
| 108     | 242  | 242 | Robert Jenkins        | 300   | —      | 31.3     | 10.4        | 8.91 |
| 109     | 114  | 114 | Twinkl Orl            | 129   | —      | 0.8      | 6.2         | 2.61 |
| 110     | 70   | 70  | Twinkl 12% ULS        | 78    | —      | 12.0     | 15.8        | —    |
| 111     | 58   | 58  | Unilock Holdings      | 48    | —      | 2.6      | —           | 9.6  |
| 112     | 46   | 46  | Unilock Holdings      | 46    | —      | 4.4      | 4.8         | 6.0  |
| 113     | 42   | 42  | Walter Alexander      | 90    | —      | 12.1     | 5.8         | 3.41 |
| 114     | 210  | 210 | W. S. Yates           | 210   | —      | —        | —           | —    |

†Accounts prepared under provisions of SSAP 15.

## Leigh Interests over £1m

**A SUBSTANTIAL increase from £865,000 to £1.1m in pre-tax profits is reported by Leigh Interests for the year to March 31, 1980 on turnover ahead, from £14.4m to £21.2m.**

After tax up from £107,000 to £300,000, group stated earnings per 5p share are up from 8p to 10.6p, and the final dividend is raised to 3.37p for a total of 5p (4.35p, which does not include a compensating dividend of 0.13p).

**Comment**

Despite losses in the coal, stone and clay extracting and merchandising business and in an associated company, Leigh Interests pushed up pre-tax profit by 85 per cent. This is considerable 132p while the fully taxed p/e testimony to the profitability of what the company calls its environmental business (heavy waste collection and disposal) and which now accounts for more than 80 per cent of pre-tax profit. Still, more profit should be squeezed out of waste this year despite the downturn in industrial activity, and the coal, stone and clay businesses are no longer in the red. The group has won valuable planning permission on a site to relocate its Birmingham Ford dealership and may sell this profitable business. The development of a process for turning unburned wastes, which the company hopes to be paid to collect, into solid industrial fuel may also be completed this year. The dividend provides a modest yield of 5.6 per cent at per cent. This is considerable 132p while the fully taxed p/e of 18 expects a lot.

## BANK RETURN

|                                  | Wednesday June 4 1980 | Increase (+) or Decrease (-) for week |
|----------------------------------|-----------------------|---------------------------------------|
| <b>BANKING DEPARTMENT</b>        |                       |                                       |
| Liabilities                      | £                     | £                                     |
| Capital                          | 14,565,000            | —                                     |
| Public Deposits                  | 86,378,205            | + 4,834,005                           |
| Special Deposits                 | 218,710,000           | —                                     |
| Bankers Deposits                 | 496,507,899           | + 126,245,580                         |
| Reserve & other Accounts         | 649,090,787           | + 28,698,805                          |
|                                  | 1,413,759,578         | + 149,809,721                         |
| ASSETS                           | £                     | £                                     |
| Government Securities            | 899,917,064           | + 92,349,939                          |
| Advances & Other Accounts        | 310,535,577           | + 1,745,888                           |
| Premises Equipment & Other Secs. | 180,475,865           | + 297,641,900                         |
| Notes                            | 255,255               | + 5,635,837                           |
| Coin                             | 255,442               | + 24,809                              |
|                                  | 1,413,759,578         | + 149,809,721                         |

## ISSUE DEPARTMENT

|                             |                |               |
|-----------------------------|----------------|---------------|
| Liabilities                 | £              | £             |
| Notes Issued                | 10,025,000,000 | + 150,000,000 |
| In Circulation              | 10,025,041,745 | + 144,263,155 |
| In Banking Department       | 180,475,865    | + 5,635,837   |
| ASSETS                      | £              | £             |
| Government Debt             | 11,015,100     | —             |
| Other Government Securities | 8,634,140,122  | + 350,478,817 |
| Other Securities            | 1,379,844,778  | + 480,478,817 |
|                             | 10,085,000,000 | + 150,000,000 |

All of these securities having been sold, this announcement appears as a matter of record only.

## CNT \$125,000,000

## Caisse Nationale des Télécommunications

11 1/2% Guaranteed External Notes Due June 1, 1990

Payment of principal and interest unconditionally guaranteed by

## The Republic of France

Lazard Frères & Co.

Merrill Lynch White Weld Capital Markets Group

Merrill Lynch, Pierce, Fenner & Smith Incorporated

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|  |                                       |  |                           |
|--|---------------------------------------|--|---------------------------|
| Morgan Stanley & Co.                         | The First Boston Corporation          | Salomon Brothers                       | Warburg Paribas Becker    |
| Atlantic Capital                             | Bache Halsey Stuart Shields           | Bank of America                        | Banque Nationale de Paris |
| Basle Securities Corporation                 | Bear, Stearns & Co.                   | Blyth Eastman Paine Webber             |                           |
| Caisse des Dépôts et Consignations           | Dillon, Read & Co. Inc.               | Donaldson, Lufkin & Jenrette           |                           |
| Drexel Burnham Lambert                       | EuroPartners Securities Corporation   | E. F. Hutton & Company Inc.            |                           |
| Kidder, Peabody & Co.                        | Lazard Frères et Cie                  | Lehman Brothers Kuhn Loeb              |                           |
| L. F. Rothschild, Unterberg, Towbin          |                                       | Shearson Loeb Rhoades Inc.             |                           |
| Smith Barney, Harris Upham & Co.             |                                       | UBS Securities Inc.                    |                           |
| Wertheim & Co. Inc.                          |                                       | Dean Witter Reynolds Inc.              |                           |
| Arnhold and S. Bleichroeder, Inc.            | Alex. Brown & Sons                    | Daiwa Securities America Inc.          |                           |
| F. Eberstadt & Co., Inc.                     | A. G. Edwards & Sons, Inc.            | Robert Fleming                         | Hudson Securities, Inc.   |
| Kleinwort, Benson                            |                                       | Ladenburg, Thalmann & Co. Inc.         |                           |
| Moseley, Hallgarten, Estabrook & Weeden Inc. |                                       | New Court Securities Corporation       |                           |
| The Nikko Securities Co.                     | Nomura Securities International, Inc. | Oppenheimer & Co., Inc.                |                           |
| Wm. E. Pollock & Co., Inc.                   | Stuart Brothers                       | Thomson McKinnon Securities Inc.       |                           |
| Tucker, Anthony & R. L. Day, Inc.            |                                       | Yamaichi International (America), Inc. |                           |

May, 1980

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any shares.

## Marsh & McLennan

## Marsh & McLennan Companies, Inc.

(Incorporated under the laws of Delaware, United States of America)

Authorised

60,000,000

Shares of Common Stock of U.S. \$1.00 par value

\*including 4,424,000 shares to be issued

Issued, to be issued and reserved for issue at 31st May, 1980

18,445,739\*

All the above shares of Common Stock, including the shares to be issued and reserved for issue, have been admitted to the Official List by the Council of The Stock Exchange.

Particulars relating to Marsh & McLennan Companies, Inc. are available in the Extel Statistical Service and copies of the statistical card may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including 20th June, 1980 from:

S. G. Warburg & Co. Ltd.,  
30 Gresham Street,  
London EC2P 2EB.

MORGAN STANLEY INTERNATIONAL  
PO Box 132,  
1 Undershaft,  
London EC3P 3HB.

DE ZOETE & BEVAN,  
25 Finsbury Circus,  
London EC2M 7EE.

6th June, 1980.

All of these Securities have been sold. This announcement appears as a matter of record only.

May 29, 1980



## ELECTRICITE DE FRANCE

U.S. \$100,000,000

11 1/2% Guaranteed Bonds due 1990

Unconditionally guaranteed by

## THE REPUBLIC OF FRANCE

|                                   |                               |                                      |
|-----------------------------------|-------------------------------|--------------------------------------|
| Salomon Brothers International    | Banque Nationale de Paris     | Caisse des Dépôts et Consignations   |
| Amsterdam-Rotterdam Bank N.V.     | Banque Bruxelles Lambert S.A. | Hambros Bank Limited                 |
| Merrill Lynch International & Co. | Morgan Guaranty Ltd.          | Société Générale                     |
| Société Générale de Banque S.A.   | S. G. Warburg & Co. Ltd.      | Westdeutsche Landesbank Girozentrale |







Companies  
and Markets

# INTERNATIONAL COMPANIES and FINANCE

Robert Graham, in Madrid, fills in the background to the troubles at SEAT

## A daunting task faces the Spanish state

FIAT's refusal to take over SEAT, Spain's largest car producer, is without precedent in international business. For at least 30 years Fiat has had a minority stake in SEAT and since last June it has been running the company in anticipation of acquiring majority control.

Now Sr. Miguel Antonanzas will once again become the chief executive having last year been squeezed out of the day-to-day running of the company by Italian management. And INI, the Spanish state-holding company, faces the daunting task of finding an alternative foreign partner for SEAT.

SEAT's problems stem largely from operating in a protected market where it was assured the bulk of sales. Less than 10 years ago SEAT cars still accounted for more than 60 per cent of all cars bought in Spain.

Because of this privileged status, insufficient attention was paid to SEAT's range when foreign producers were permitted to establish themselves in Spain. By the late 1970s, SEAT was not only offering models which poorly matched its competitors but was also producing

too many on uneconomic production runs.

Thus SEAT found itself with a declining market share, a large unused capacity and an increasingly expensive work force.

Fiat and INI agreed in 1978 on a four-year investment programme to revamp the company to sustain the company's market share and guarantee its future. At the time of the preparation of the investment programme both sides were confident of SEAT's future. A new plant was planned for Pamplona. This is now in operation and is considered one of the company's main assets.

SEAT has also invested heavily in improving its spares and after sales service, which is the most comprehensive network in Spain. This and the residual goodwill of the SEAT name must also be considered an important asset for any prospective multinational partner.

However, instead of fulfilling Fiat's prediction of sustaining a 33 per cent share of the Spanish market, SEAT's share has fallen below 30 per cent. Losses last year rose to Pta 15bn (\$212m).



Sr. Jose Miguel de la Rica, chairman of INI.

The company has two-thirds of its 32,000 work force on short time to reduce stock. These are currently at 72,000 units—about 30,000 above the desired level. It is reckoned that 1979 losses can be absorbed by reserves but it is unclear what will happen to the anticipated losses of around Pta 15bn this year.

Until now INI, which is the major shareholder in SEAT and will undertake to replace Fiat

in SEAT's pending capital increase, has so far only had broad discussions with other motor manufacturers about Fiat.

There have been contacts with Nissan and Toyota of Japan. Since then there are believed to have been discussions with Volkswagen. Both Japanese companies have expressed an interest in Spain. Nissan in January acquired a 38 per cent stake in the light truck and agricultural machinery producer Motor Iberica. INI is unlikely to be impressed by European Community arguments to keep the Japanese at bay.

But in the short term Fiat and SEAT are obliged to make the best of the present uneasy alliance. As for technology there is a separate agreement through to 1985 which is expected to be observed.

INI's overriding concern is to guarantee the livelihood of the work force and of the approximately 290,000 families who depend directly and indirectly on SEAT. The work force is heavily overmanned and by the standards of modern car plant has more than twice the necessary labour.

The biggest concentration,

23,000, is in Barcelona where the plants are also the oldest. Any interested purchaser of SEAT has to come to terms with the problematical question of this labour force.

In part to assure the labour force, INI has undertaken to continue regardless a four-year investment programme costing Pta 60bn (\$850m).

The programme, due for completion by 1982, involves the rationalisation of SEAT's model range to three and the raising of capacity to over 400,000 units. This means again that any future purchaser will have to accommodate the pooling arrangements of this rationalisation and the Spanish avowed desire to let models run a natural life. The Panda, SEAT's newest model, is due to be launched this month.

The extraordinarily complex nature of the problem—complicated now by legal issues as well—means that there will be no quick solution. INI it seems is resigned to running the company for the foreseeable future at no matter what cost, in the hope of an economic turnaround and a willing buyer.

The Management Board announces that on June 5, 1980, the General Meeting of Shareholders approved the annual accounts for 1979 and the profit appropriation contained therein as confirmed by the Supervisory Board.

The dividend for the financial year 1979 has been fixed at Dfls. 8.25 per Dfls. 20.00 ordinary share, of which an interim dividend of Dfls. 3.50 was already paid in October, 1979.

Instead of the final dividend of Dfls. 4.75 per Dfls. 20.00 ordinary share in cash, shareholders may elect to receive Dfls. 1.00 in cash and Dfls. 0.663 in ordinary shares from the Share Premium Account.

For shareholders and holders of ordinary share certificates who wish to receive the dividend in cash, coupons numbered 31 and 32 of their securities will be payable at the Head Offices of the following banks with effect from June 16, 1980:

Amsterdam-Rotterdam Bank N.V.  
Algemene Bank Nederland N.V.  
Nederlandsche Middenstandsbank N.V.  
Persoon, Heijding & Persoon N.V.  
Bank Mees & Hope N.V.  
Nederlandsche Credietbank N.V.  
N.V. Slavenburg's Bank  
Bank Van der Hoop Offers N.V.  
at Amsterdam, Rotterdam and The Hague.

For each Dfls. 20.00 ordinary share or ordinary share certificate, Dfls. 1.00 will be paid on coupon No. 31 and Dfls. 3.75 on coupon No. 32, this being the final dividend less 25% dividend tax.

Shareholders and holders of ordinary share certificates who wish to receive the dividend in ordinary shares or ordinary share certificates on coupon No. 32 of their securities, will receive one new ordinary share or ordinary share certificate of Dfls. 20.00 nominal value against delivery of every 30 coupons No. 32 of ordinary shares or ordinary share certificates up to and including October 31, 1980. The new shares and share certificates will participate fully in the profits to be declared for 1980 and subsequent years.

After October 31, 1980, the final dividend will only be payable in cash.

To obtain new securities representing 1.5 or 50 ordinary shares with coupons No. 33 and

succeeding numbers attached, the requisite number of coupons numbered 32 of shares must be deposited at the Head Offices of the above-named banks not later than October 31, 1980. The coupons must be accompanied by a statement giving full name, including first names, addresses, etc.

To obtain new certificates of 1.5 or 50 ordinary shares with coupons No. 33 and succeeding numbers attached, the requisite number of coupons No. 32 of share certificates and/or ordinary shares must be deposited at N.V. Administratiekantoor Christiaan Huygens, Keizersgracht 558, 1017 EM Amsterdam, not later than October 31, 1980. If desired, the new certificates will also be available by way of Bearer Depository Receipts (BDR's). Coupon No. 32 must be deposited with the name of the deliverer endorsed on the back and accompanied by an advice in duplicate.

ENINIA will pay the customary commission to the members of the Vereniging voor de Effectenhandel in order that the conversion of coupon No. 32 may be made free of commission to the holders.

Holders of BDR's will receive their dividend in cash or in ordinary share certificates through the intermediary of the institutions where the coupon sheets of their share certificates were deposited on June 5, 1980, at the office's closing time.

Those who ask their bankers for delivery or dispatch of securities on account of the conversion, will be charged for delivery commission in accordance with the rates of the "Nederlandsche Bankiersvereniging".

The Hague, June 6, 1980  
Churchillplein 1

ENINIA N.V.  
Management Board

Amsterdam, June 6, 1980  
Keizersgracht 558

N.V. Administratiekantoor  
Christiaan Huygens

## Opel hit by contraction in home demand

BY KEVIN DONE IN FRANKFURT

THE FIRST redundancies to hit the West German motor industry as a result of the decline in the European car market were announced yesterday by Opel, the West German subsidiary of General Motors of the U.S.

Over the next six months Opel is seeking to reduce the workforce at its Rüsselsheim works near Frankfurt by a programme of voluntary redundancies and early retirements.

Opel has been particularly hard hit by falling demand in the domestic market for medium-sized and larger executive models. For several months it and Ford, the other major local U.S. owned manufacturer in the West German car market, have suffered redundancies by putting several thousand employees on to short-time

working. Opel has now been forced to take more drastic action.

After five boom years the demand for motor cars in the Federal Republic began to decline in the second half of 1979. In the first four months of 1980, new car registrations were down by 27 per cent. The fall in sales has been particularly marked, however, for models in the middle range. Opel has seen its share of the German market drop from 18.8 per cent in the first four months of 1979 to 16.8 per cent this year. Booming sales of its small Kadett model have failed to make up for the slump in demand for larger models.

A similar picture has emerged at Ford, where the most serious decline has hit its petrol-driven Granada model. Here registrations have fallen by 52 per cent in the first four

months of 1980. Sales of its Taurus model are also down.

Volkswagen, West Germany's biggest motor manufacturer, has also seen a sharp fall in sales of its Audi 100 model—down from 34,194 in the first four months of 1979 to 21,773 but this has been compensated for by strong demand in other parts of the model range.

Meanwhile the only French vehicle manufacturer to remain untouched by the decline in markets this year is Renault the nationalised group. Its output rose in the first three months while the three other producers all members of the FSA group, went into reverse.

Terry Dodsword reports from Paris.

ing hours in order to bring output into line with demand. But there have so far been no redundancies.

In the UK further evidence of the slide in the new car market was provided yesterday by Vauxhall's announcement that 5,000 workers at its Luton and Ellesmere Port car plants would be laid off for two weeks from June 16, John Griffiths writes. Vauxhall blames the steep downturn that has occurred in April and May, following a record first quarter.

Ford is laying off 3,220 workers at its Dagenham engine plant for five days from July 21, immediately ahead of its annual holiday. In addition, 728 men are being laid off at Halewood for a week from June 23, and 1,400 at its Langley truck assembly plant for four separate working days during June.

## Franco-Italian electric motor rationalisation

By Terry Dodsword in Paris

A FRANCO-ITALIAN industrial co-operation and rationalisation deal has been signed between Leroy-Somer, the French electric motor and pump manufacturer, and Ercole Marelli, the Italian group with a roughly similar product range.

The agreement allows Leroy-Somer to divest itself of its loss-making Italian subsidiary Rotos, a pump manufacturer based in the Milan area.

On the electric motor side of the business, where the EEC is suffering from strong Eastern European competition, the two companies have agreed to supply each other with products to reinforce their product ranges. This means that the French group will be sending small-capacity motors to Italy while Marelli supplies medium-power units to France.

The deal, backed by a convertible loan from Leroy to Marelli, comes at a time when there are considerable moves with the European electric motor industry to streamline in the face of the challenge from Eastern Europe.

While the Eastern Europeans have agreed to raise prices following an anti-dumping action by the EEC, Marelli in particular has been seeking rationalisation deals including sub-contracting in West Germany.

## Amro enters U.S. debt market

By Our Amsterdam Correspondent

AMSTERDAM - ROTTERDAM BANK (Amro) has begun the issue of commercial paper on the U.S. money market. Number three in the Dutch banking league, it has received permission from the Securities and Exchange Commission to place up to \$300m worth of paper.

The bank is the first in the Netherlands to tap the U.S. money market and one of the first in Europe. Its paper has been given the highest ratings by Moody's and Standard and Poor's.

Amro decided it required a source of funds in addition to the Eurodollar market where it holds large dollar deposits, said Mr. F. Hoogenhuyk, managing director in charge of Amro's international division.

Commercial paper is also attractive because of the relatively low cost involved. Amro plans to make regular use of the facility depending on market conditions and its own requirements. Placements will be handled by First Boston Corporation.

Amro has a growing need for short-term funds partly because of its increasing activities in the U.S. It currently has a representative office in New York.

Amro has its headquarters in Amsterdam and ranks 31st in the world banking table. It has 354 domestic branches and additional offices throughout the world and had assets of Fl 90.8bn (\$42.5bn) on March 31.

U.S. commercial paper is issued for between eight and 270 days in \$1m denominations. The market is currently valued at more than \$125bn. Rates are traditionally lower than comparable forms of financing such as bank credits and often lower than interbank rates on the Eurodeposit market, Amro said.

## Ennia in Spanish insurance deal

BY CHARLES BATCHELOR IN AMSTERDAM

ENINIA, a Dutch insurer, will take a majority stake in a Spanish insurance company, Seguros Galicia de Madrid.

It will pay Fl 16m (\$8m) for a holding of just over 80 per cent.

The Spanish and Dutch authorities have yet to approve the deal, Ennia said. Galicia is mainly involved in the general insurance business, but it also transacts life insurance.

It has branches throughout Spain and had 1979 premium income equivalent to Fl 60m.

Ennia also announced details of its performance in the first quarter of 1980. After-tax profit

rose 38 per cent to Fl 16.2m compared to the same 1979 quarter and after payment of Fl 2.5m into the "catastrophe reserve".

Gross receipts rose 16 per cent to Fl 768m, while costs rose by 11 per cent.

Profit per Fl 20 ordinary share rose by 20 per cent to Fl 5.90. The board maintains its forecast that profits will continue to rise in the year as a whole, after the 26 per cent net profit increase last year.

The life insurance result "developed favourably" on receipts which rose 15 per cent to Fl 451m.

The non-life result was well up with 16 per cent higher receipts of Fl 258m. Non-insurance activities continued to be adversely affected by high rates of interest. Gross non-insurance receipts were Fl 58m.

The Dutch Government is to return to the capital market in Amsterdam after an absence of more than two months. A 10-year offer is to be made by tender carrying a coupon of 10 per cent.

The issue price and amount to be raised will be announced when subscriptions close on Monday.

## Electrolux expects slower growth of earnings

BY WILLIAM DUFFLORCE IN STOCKHOLM

THE STRONG demand for Electrolux's products at the end of 1979 was sustained through the first four months of the new year, raising sales about 26 per cent from a year earlier, Mr. Gösta Bystedt, managing director, told the annual general meeting of the Swedish household appliances group.

Earnings were estimated to have kept pace with rising turnover. But Mr. Bystedt did not expect the strong profits performance of the first four months to continue through the year.

He reiterated the management's forecast of a 10 per cent profit growth for 1980 as a whole. This forecast does not include the Granges group which Electrolux is taking over.

Electrolux did not publish four-month figures last year. For the full year it had pre-tax earnings of SKr 915m (\$216m) on a SKr 15,146m turnover. The Board recommended a SKr 1.25 increase in the dividend to SKr 7.50 a share and a one-for-four bonus issue.

Profits are expected to grow during the early 1980s, Mr. Bystedt said. A progressive

dividend policy, combined with the abandonment of plans to introduce employee investment funds in Sweden, and tax relief for share capital, should raise prices for Electrolux shares. This would facilitate the financing of expansion, he added.

LEGO SYSTEM, the family-owned plastic toy bricks company, improved pre-tax earnings from Dkr 43.5m to Dkr 69.3m (\$12.4m) last year, Hilary Barnes writes from Copenhagen.

The operating profit rose from Dkr 25.4m to Dkr 35.6m. The company does not publish a sales figure. Lego System is part of the Lego group which does not publish consolidated accounts.

Danfoss, the Danish temperature control equipment and hydraulic systems group, increased sales by 41 per cent to Dkr 1.69bn for the first half ending March 31.

Depreciation of the krone helped to boost the figure, the company said. First half earnings were said to be satisfactory, but no figures were published.

## European Arab Bank chief resigns

By Michael Lafferty

MR. ROBERT BOTCHERBY has resigned as managing director of the European Arab Bank Group and its London subsidiary, European Arab Bank Ltd. He has left following a disagreement about whether he should be holding both posts.

It has become increasingly apparent that these roles are incompatible and as Mr. Botcherby would not like to give up his London post he has decided to leave the group, the bank said.

European Arab is a Luxembourg-based group of four consortium banks. Apart from London it operates in Brussels, Bahrain, and Frankfurt.

European Arab is closely linked with the EEC club of European banks, which includes Deutsche Bank of Germany, and Midland of the UK.

Mr. Botcherby will be succeeded by Mr. E. J. W. Hallmuth, who becomes acting chief executive of both the holding company and the London bank.

Mr. Botcherby has previously held senior positions with Bank of America International, International Commercial Bank, and MAIBL.

## Sharp drop in income for IBM Germany

BY OUR FINANCIAL STAFF

SHARPLY lower profits in 1979 are reported by IBM Deutschland, the West German subsidiary of International Business Machines of the U.S.

On sales only 4 per cent higher at DM 6.6bn (\$3.6bn) the company saw net profits decline to DM 448m from DM 601m, a fall of 23 per cent from 1978.

This year sales have continued to improve and the company expects turnover for the whole of 1980 to at least match last year's level. Incoming

orders for the first five months of 1980 are described as good.

IBM Deutschland expects the sharp rise in computer efficiency and fall in prices seen in the last decade to continue. Competition in the coming years "will grow" as more producers come to the market in both software and hardware.

Capital spending, which in 1979 rose 25 per cent to DM 1.23bn, will be concentrated on production in 1980 as was the case last year, followed by new technology. Greater productivity is one of the company's main aims.

Last year's results were affected by the improved price-efficiency ratio of the company's new products and by the high level of fixed asset investments. The company noted that last year's spending programme necessitated the disposal of security investments which fell to DM215 from DM1.27 a year earlier.

Efforts continued to improve productivity but the company was unable to compensate fully for extra costs, notably those which arose through the manufacture of new products. Incoming orders rose faster

than sales last year to reach a record level. Data processing, in particular the IBM 4800 computer range, benefited most from the rise in demand.

IBM Deutschland's total production last year amounted to DM 7.01bn, compared to DM 6.55bn. In 1978 the IBM group's European operations accounted for 37 per cent of total income.

Last year the German company paid tax of DM 0.7m while its wage bill was DM 1.95bn. The company's depreciation charge totalled DM 850m.

**ennia** nv  
(established at The Hague)

The Management Board announces that on June 5, 1980, the General Meeting of Shareholders approved the annual accounts for 1979 and the profit appropriation contained therein as confirmed by the Supervisory Board.

The dividend for the financial year 1979 has been fixed at Dfls. 8.25 per Dfls. 20.00 ordinary share, of which an interim dividend of Dfls. 3.50 was already paid in October, 1979.

Instead of the final dividend of Dfls. 4.75 per Dfls. 20.00 ordinary share in cash, shareholders may elect to receive Dfls. 1.00 in cash and Dfls. 0.663 in ordinary shares from the Share Premium Account.

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Algemene Bank Nederland N.V.  
Nederlandsche Middenstandsbank N.V.  
Persoon, Heijding & Persoon N.V.  
Bank Mees & Hope N.V.  
Nederlandsche Credietbank N.V.  
N.V. Slavenburg's Bank  
Bank Van der Hoop Offers N.V.  
at Amsterdam, Rotterdam and The Hague.

For each Dfls. 20.00 ordinary share or ordinary share certificate, Dfls. 1.00 will be paid on coupon No. 31 and Dfls. 3.75 on coupon No. 32, this being the final dividend less 25% dividend tax.

Shareholders and holders of ordinary share certificates who wish to receive the dividend in ordinary shares or ordinary share certificates on coupon No. 32 of their securities, will receive one new ordinary share or ordinary share certificate of Dfls. 20.00 nominal value against delivery of every 30 coupons No. 32 of ordinary shares or ordinary share certificates up to and including October 31, 1980. The new shares and share certificates will participate fully in the profits to be declared for 1980 and subsequent years.

After October 31, 1980, the final dividend will only be payable in cash.

To obtain new securities representing 1.5 or 50 ordinary shares with coupons No. 33 and

succeeding numbers attached, the requisite number of coupons numbered 32 of shares must be deposited at the Head Offices of the above-named banks not later than October 31, 1980. The coupons must be accompanied by a statement giving full name, including first names, addresses, etc.

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ENINIA will pay the customary commission to the members of the Vereniging voor de Effectenhandel in order that the conversion of coupon No. 32 may be made free of commission to the holders.

Holders of BDR's will receive their dividend in cash or in ordinary share certificates through the intermediary of the institutions where the coupon sheets of their share certificates were deposited on June 5, 1980, at the office's closing time.

Those who ask their bankers for delivery or dispatch of securities on account of the conversion, will be charged for delivery commission in accordance with the rates of the "Nederlandsche Bankiersvereniging".

The Hague, June 6, 1980  
Churchillplein 1

ENINIA N.V.  
Management Board

Amsterdam, June 6, 1980  
Keizersgracht 558

N.V. Administratiekantoor  
Christiaan Huygens

**Brasilvest S.A.**  
Net asset value as of  
30th May, 1980  
per Cr\$ Share: Cr\$11.192  
per Depositary Share:  
U.S.\$14,738.77  
per Depositary Share  
(Second Series):  
U.S.\$13,841.85  
per Depositary Share  
(Third Series):  
U.S.\$11,779.22  
per Depositary Share  
(Fourth Series):  
U.S.\$11,004.39

**BANCO DE LA PROVINCIA DE BUENOS AIRES**  
U.S. \$30,000,000 Floating Rate Notes Due 1986  
For the six months 5th June, 1980 to 5th December, 1980 the Notes will carry an interest rate of 10 1/8% per annum.  
Bankers Trust Company, London  
Fiscal Agent

NEW ISSUE

These securities having been sold, this announcement appears as a matter of record only.

JUNE 1980

U.S. \$150,000,000

**Midland International Financial Services B.V.**

(Incorporated with limited liability in the Netherlands)

Guaranteed Floating Rate Notes 1992

Convertible until June 1985 into 9 1/8% Guaranteed Bonds 1992

Guaranteed on a subordinated basis as to payment of principal, premium (if any) and interest by



**Midland Bank Limited**

Samuel Montagu & Co.  
Limited

European Banking Company  
Limited

Credit Suisse First Boston  
Limited

Amsterdam-Rotterdam Bank N.V.

Banca Commerciale Italiana

Bank of China

Creditanstalt-Bankverein

Deutsche Bank  
Aktiengesellschaft

IBJ International  
Limited

Lazard Frères & Co.

Salomon Brothers International

Société Générale

Société Générale de Banque S.A.

Swiss Bank Corporation (Overseas)  
Limited

Union Bank of Switzerland (Securities)  
Limited

**UNION DE BANQUES ARABES & FRANCAISES-U.B.A.F.**

US\$25,000,000 Floating Rate Notes 1976-1981

In accordance with the conditions of the Notes notice is hereby given that for the six-month period 5th June 1980 to 5th December 1980 (183 days) the Notes will carry an interest rate of 10 1/8% p.a.

Relevant interest payments will be as follows:

Notes of \$1,000 US\$55.25

CREDIT LYONNAIS, Luxembourg  
Fiscal Agent



**Ljubljanska banka**

US\$25,000,000 Floating Rate Notes due June 1987

In accordance with the conditions of the Notes notice is hereby given that for the six-month period 5th June 1980 to 5th December 1980 (183 days) the Notes will carry an interest rate of 11 1







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Companies  
and Markets

# CURRENCIES, MONEY and GOLD

## Sterling firm

Sterling continued to advance, while the dollar showed little change in very quiet foreign exchange trading yesterday. Several European centres were closed for a religious holiday, and with little news to influence the market, currencies moved within narrow ranges through the day. The pound opened at \$2.3240-2.3250, the lowest level of the day, and touched \$2.3225-2.3235 in the afternoon before closing at \$2.3205-2.3215, a rise of 80 points on the day.

Sterling's trade-weighted index, as calculated by the Bank of England, rose to 73.7 from 73.4, after standing at 73.6 at noon and in the morning.

The dollar's index on Bank of England figures, fell to 83.7 from 83.9.

The U.S. currency showed little movement, trading within a range of DM 1.7700 to DM 1.7710 against the mark, and finishing at DM 1.7700, compared with DM 1.7735 the Swiss franc also recorded little change, closing at Sfr 1.6460 against the dollar, compared with Sfr 1.6450. On the other hand the Italian lira suffered from fears of a possible devaluation. It has been the weakest member of the European Monetary System for some time, although well within its allowed limits. The dollar rose to L386.50 from L384.75.

**FRANCE** - Strongest member of European Monetary System, the French franc was generally strong at the Paris fixing, rising against the dollar and sterling, but weakening slightly against the Swiss franc and Japanese yen. The French currency was fixed higher against all members of the EMS. **NETHERLANDS** - The guilder declined against the

D-mark and French franc at the Amsterdam fixing, but improved against the Belgian franc and Italian lira. Outside the EMS the dollar fell to Fl 1.9510 from Fl 1.9555, but sterling rose to Fl 1.5410 from Fl 1.5370.

**ITALIAN LIRA** - Weakest member of EMS, after rising to the top of the system in February, and remaining firm for most of last year - The lira showed mixed changes against other European currencies at the Milan fixing, as rumours circulated about a possible devaluation in the near future. The Italian unit lost ground to several of its EMS partners, with the D-mark rising to L499.50 from L499.50, and the French franc to L201.65 from L201.59. Outside the EMS sterling rose to L1.940.10 from L1.937.50, but the dollar fell to L383.50 from L384.50.

**BEIJING FRANK** - Much weaker within EMS following moves by the Belgian authorities to increase interest rates and defend the franc - The Belgian franc improved against the dollar at the Brussels fixing, while the EMS currencies were mixed. The dollar was fixed at Bfr 23.225, compared with Bfr 23.525, but sterling rose to Bfr 68.1925 from Bfr 68.1450. Among members of the EMS the D-mark improved slightly to Bfr 16.0150 from Bfr 16.0120, and the French franc to Bfr 6.5775 from Bfr 6.5750.

**JAPANESE YEN** - Energy and balance of payments problems reflected in sharp decline last year. More recently lower U.S. interest rates have helped the yen recover - The yen improved in quiet Tokyo trading, with the dollar easing to Y221.55 from Y222.50. Movements were within a very narrow range of Y221.10 to Y222.10. The U.S. currency's weak tone followed the further cut in U.S. bank prime lending rates.

### EMS EUROPEAN CURRENCY UNIT RATES

| Currency      | Unit    | % change from 1979 | % change from 1978 | Divergence from % |
|---------------|---------|--------------------|--------------------|-------------------|
| Belgian Franc | 39.787  | 0.2701             | +1.27              | +1.53             |
| Danish Krone  | 7.7236  | 7.3544             | +1.43              | +1.64             |
| German D-Mark | 2.4828  | 2.51473            | +1.29              | +0.81             |
| French Franc  | 5.5470  | 5.5856             | +0.70              | +1.57             |
| Dutch Guilder | 2.3632  | 2.3877             | +1.03              | +1.57             |
| Irish Punt    | 0.68221 | 0.67542            | +1.08              | +1.68             |
| Italian Lira  | 1157.79 | 1181.49            | +2.05              | +2.08             |

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

### EXCHANGE CROSS RATES

|                 | June 4  | June 5  | June 6  | June 7  | June 8  | June 9  | June 10 | June 11 | June 12 | June 13 | June 14 | June 15 | June 16 | June 17 | June 18 | June 19 | June 20 | June 21 | June 22 | June 23 | June 24 | June 25 | June 26 | June 27 | June 28 | June 29 | June 30 |
|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Pound Sterling  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  | 1.0000  |
| U.S. Dollar     | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  | 2.3215  |
| Deutsche Mark   | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  | 1.9312  |
| Swiss Franc     | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  | 1.4833  |
| Dutch Guilder   | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  | 2.3632  |
| Italian Lira    | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 | 1157.79 |
| Canadian Dollar | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  | 0.7121  |
| Belgian Franc   | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  | 1.3360  |

### FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 5)

| 3 month U.S. dollars | 6 month U.S. dollars | 3 month U.S. dollars | 6 month U.S. dollars |
|----------------------|----------------------|----------------------|----------------------|
| bid 9 3/4            | offer 9 7/8          | bid 9 3/4            | offer 9 7/8          |

### EURO-CURRENCY INTEREST RATES (Market Closing Rates)

|              | June 5        | June 6        | June 7        | June 8        | June 9        | June 10       | June 11       | June 12       | June 13       | June 14       | June 15       | June 16       | June 17       | June 18       | June 19       | June 20       | June 21       | June 22       | June 23       | June 24       | June 25       | June 26       | June 27       | June 28       | June 29       | June 30       |
|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Short term   | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 |
| 1 day notice | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 |
| 1 month      | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 |
| 3 months     | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 |
| 6 months     | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 |
| 1 year       | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 | 10 1/4-10 1/2 |

The following nominal rates were quoted for London dollar certificates of deposit: one-month 9 1/4-9 1/2 per cent; three months 9 1/4-9 1/2 per cent; six months 9 1/4-9 1/2 per cent; one year 10 1/4-10 1/2 per cent. Long-term Eurodollar two years 10 1/4-10 1/2 per cent; three years 10 1/4-10 1/2 per cent; four years 10 1/4-10 1/2 per cent; five years 10 1/4-10 1/2 per cent; nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore.

### INTERNATIONAL MONEY MARKET

## European rates mixed

Interest rates showed no real overall trend in Europe yesterday, with some centres closed for a religious holiday. In Paris call money was quoted at 12 1/2 per cent compared with 12 1/4 per cent, with longer term rates firmer in places. Frankfurt was closed yesterday but in Hamburg showed call money at 9 1/2 per cent compared with 9 1/4 per cent on Wednesday in Frankfurt, with longer term rates also higher. Dutch interbank rates were generally easier. Call money dipped to 11 1/4 per cent from 11 1/2 per cent, and one-month money was down at 11 per cent against 11 1/4 per cent previously. In Bern in places, Frankfurt was closed yesterday but in Hamburg showed call money at 9 1/2 per cent compared with 9 1/4 per cent on Wednesday in Frankfurt, with longer term rates also higher. Dutch interbank rates were generally easier. Call money dipped to 11 1/4 per cent from 11 1/2 per cent, and one-month money was down at 11 per cent against 11 1/4 per cent previously. 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In Bern in places, Frankfurt was closed yesterday but in Hamburg showed call money at 9 1/2 per cent compared with 9 1/4 per cent on Wednesday in Frankfurt, with longer



## THE PROPERTY MARKET BY ANDREW TAYLOR

## Landsit cash to polish portfolio

LAND SECURITIES Investment Trust made it plain yesterday that it is not going back into the new development market, despite its £108m rights issue. But neither is the group going to sit back and just collect rents from its properties.

The money from this latest cash call on shareholders—the first for several years—has been almost entirely earmarked for revitalising Landsit's existing portfolio which is heavily dominated by its holdings in central London offices.

The rights issue will, therefore, do little to satisfy some of Landsit critics, who while recognising the strong reversionary potential of the portfolio, have wished to see the UK's largest property group becoming more active on the new development front.

This is clearly not going to happen. Peter Hunt, managing director, said yesterday that the cash will definitely be used: "In furtherance of the group's policy of increasing the value and income from its existing portfolio by redevelopment, refurbishment and the acquisition of additional interests where Landsit already has a stake."

This programme is set to accelerate, with capital commitments of £86m at the end of March this year, and with a further £18m planned to be spent on "works designed to enhance the longer term value of certain of the group's properties."

A significant proportion of

this planned expenditure will go on the refurbishment of Devonshire House in Piccadilly W1, where Landsit acquired the head leasehold from Distillers Company for around £9m last year. When completed the refurbishment will provide about 150,000 sq ft of net air-conditioned office space.

The proposed development of the King William Street site in the City will account for another large slice of the group's planned expenditure. Here Landsit aims to provide 130,000 sq ft of net offices. Construction is due to commence later this year once final agreements have been signed.

Elsewhere, Landsit is presently undertaking refurbishment of several offices in the West End and City in Gracechurch Street, Cannon Street, Copthall Avenue and Old Burlington Street. Refurbishment is also taking place or is planned in other locations. The group also proposes to develop around 100,000 square feet of industrial space in London suburbs and in the provinces.

A recent revaluation of a quarter of Landsit property investments suggested that the portfolio could have a current market value of £1.5bn compared with a book value of £1.2bn.

With around 60 per cent of the group's portfolio represented by City and West End offices—26 per cent in the City—and many of these built prior to 1970, the scope for improvement is considerable.

## Hambro set for Swindon

HAMBRO LIFE is almost certain to fund the first phase of a new £20m office development in Swindon. The insurance company may also finance later stages of the development and negotiations are continuing with the local Thamesdown Council and the Taylor Woodrow construction group.

The first phase comprises 120,000 sq ft of offices—which could cost between £7m and £10m—and the insurance group plans to occupy the space itself. Depending upon the outcome of negotiations, construction is likely to start next year and is likely to be carried out by Taylor Woodrow.

The first phase also includes provision of a bus station which is to be funded by the local authority. There are also plans for car parking for 800 vehicles. In total around 250,000 sq ft of offices is planned to be built in three phases.

There is a strong probability that Hambro will wish to fund the later stages. The insurance company already occupies three office buildings in Swindon. Agents Knight Frank and Rutley with J. P. Sturge, the Swindon surveyors, have been closely involved with the deal but KFR yesterday declined to say what stage negotiations had reached.

The first phase of offices together with the bus station is due to be completed by late 1983. The site is presently occupied by a temporary bus station.

## Euro-Ferries property ship steams ahead

EUROPEAN FERRIES share price has risen by 40 per cent since the group announced, five weeks ago, terms for the refinancing of its major U.S. development in Denver, Colorado—by far the largest commercial property project the group has ever undertaken.

Since 1976, development profits have risen from less than 1 per cent of total group pre-tax earnings to just over 30 per cent in 1979 and could double in the present year.

Profits from property sales are expected to be at least £15m this year—£8m in 1978—with total group pre-tax earnings forecast to rise from £27m last year to between £35m and £40m in 1980.

The shipping group's entry into the market in 1975—through its 75 per cent owned Townsend Thoresen Properties—could hardly have been better timed with the office market at a low ebb following the property collapse.

"We took the view that the market had over-reacted. Prices from being too high were too low in 1975," says Keith Wickenden, Euro Ferries' chairman. Within 18 months of the decision to move into office development property rents and values had begun their recovery.

The group's land bank now includes some significant central London sites, bought several years ago when land values were lower. Some of these deals will come through over the next few years as major developments are completed.

One of these is Enterprise House in High Holborn. Due to be completed this summer, the building will provide 88,000 sq ft

of net office accommodation which has already been fully let to Kodak at £16 a sq ft—thought to be the highest rental so far agreed in Holborn.

European Ferries has still to offer the building on the open market but says it has received several approaches from potentially interested purchasers. When sold, development profits should, on the most conservative estimates, be around £7m and could be more than £10m.

From the beginning, the group's philosophy has been to buy, develop and sell. It has shown no desire to hold property as a long term investment although there are one or two signs that this policy is being re-appraised. Any immediate change of direction seems unlikely, however.

With the group forecasting "an embarrassingly strong" cash flow in 1980—cash flow in 1979, a flat year, was still around £27m—and with some large development profits due to be taken over the next few years, the temptation to hold some of its properties or retain an equity stake in some buildings, will increase.

Until Enterprise House, the group had undertaken no development larger than 30,000 sq ft, but some other large projects are now in the pipeline. Earlier this year Euro Ferries announced that it had forwarded sold to Gas Pension Schemes, for £18.5m, its 90,000 sq ft development at Crosswall in the City, due for completion in about two years' time.

The group has become more adventurous of late although it still prefers to "take a lower profit in order to eliminate risk."

"At one stage it would

not buy land unless there was planning permission or start building until a property was pre-let."

Last year the group announced it had acquired in partnership with Vace, a Canadian company, 300 acres of zoned development land in Denver, Colorado. Euro Ferries' contribution to the deal was to guarantee loans of U.S. \$21m from the Royal Bank of Canada to enable the purchase to go ahead.

In a series of complicated land deals, the joint development company, Tech Center, has now sold 65 acres of land for around \$11m to Aetna, forming a new development partnership with the massive U.S. insurance group.

Tech Center has sold another 40 acres for \$10m to J. Roullier, a private Denver company, forming yet another development partnership. The two deals will effectively release Euro Ferries from its guarantees to Royal Bank of Canada although payment from Roullier will be staggered.

As one City broker put it: "Euro Ferries is virtually in for nothing." The prospects are exciting with Colorado one of the fastest growing economies in the U.S. Mr. Wickenden estimates that profits from Denver over the next decade could easily exceed the group's present market capitalisation of around £150m.

The most attractive element of the various deals would appear to be the partnership with Aetna which seems likely to provide the bulk of the finance for development. Development on other sites may be delayed by the present high

cost of development finance in the U.S.

Another deal with potentially exciting prospects is Euro Ferries' proposal for a £20m development of 300,000 sq ft of offices on the Vauxhall Cross site although the hurdle of a planning inquiry has still to be cleared.

The group acquired the site on the South Bank of the Thames for just £400,000 from Land Securities in May, 1977—it took the view that even if it only received planning permission for flats it would still cover its costs. If the result of the inquiry goes in Euro Ferries' favour, the profit potential from this site is regarded as enormous, although it seems likely that a funding partner may be sought.

The group also has planning permission for 60,000 sq ft of offices on another south bank site at Pickfords Wharf just west of London Bridge. Meanwhile the group is investigating the possibility of developing and managing industrial nursery units for major institutions and has already been discussing this with Milken Keynes, a new town development corporation and also with Coventry City Council.

With the letting of just over 3,200 square feet to SMEC, a Lucas Industries subsidiary, about 45 per cent of total space in Laing Properties' Edgaston House development in Birmingham is now occupied. Rents have recently been increased to £2.25 a square foot and joint agents are Grimley and Son and Alexander Stevens.

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## IN BRIEF

LEVI STRAUSS UK is to occupy Metropolitan House, Wembley, developed and owned by Chesterfield Properties. The tenant is paying close to the asking rent of £590,000 a year for the eight-storey 52,500 sq ft office block opposite Wembley Park underground station and which is due for completion around the end of the year. Joint letting agents Edward Keenan and Jones Lang Wootton.

Vanburgh Life Assurance, part of the Prudential Group, has paid over £2m for the head leasehold interest of Grafton House, Euston Road, NW1. Knight Frank and Rutley acted for Vanburgh.

Co-operative Retail Services is to purchase for over £2m the House of Orange district centre development now underway at Gorton, Manchester. The Co-op will also occupy the 33,000 sq ft supermarket in the scheme, which will offer a further 25,000 sq ft of retail space. Hammond Phillips Partnership acted for the development.

The Civil Aviation Pension Fund has paid £470,000 for a 47,000 square foot factory on Raynham Industrial Estate. It is occupied by the Adidas division of sportswear manufacturers Umbro International.

Credit Suisse First Boston and not, as reported last week, First National Bank of Boston, have agreed to take space surplus to Deutsche Bank's requirements in 64 Bishopsgate.

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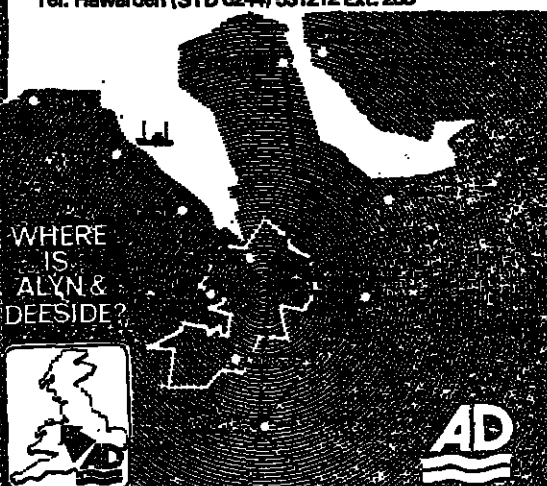
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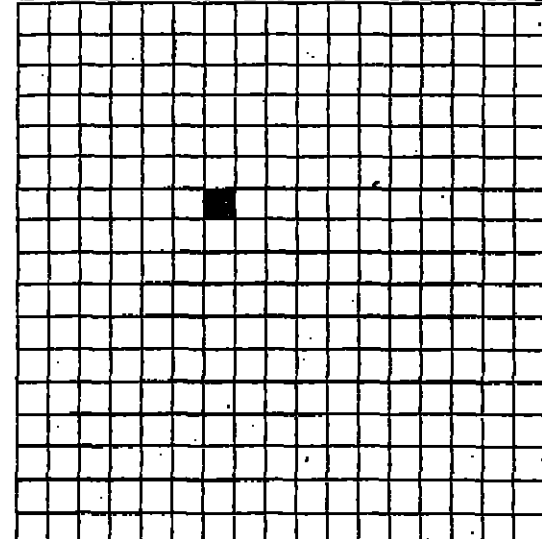
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## LEGAL NOTICES

DARYLL SPORTS LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 283 of the Companies Act, 1948, that a Meeting of the creditors of the above-named Company will be held at the offices of LEONARD CURTIS & CO., situated at 3/4 Bernick Street, London W1A 3BA, on Thursday the 5th day of June, 1980, at 12 o'clock, noon, for the purposes provided for in Sections 284 and 285, Dated the 21st day of May, 1980. A. MILLER, Director.

SMITH'S UNIVERSAL CAR HIRE LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 283 of the Companies Act, 1948, that a Meeting of the creditors of the above-named Company will be held at the offices of LEONARD CURTIS & CO., situated at 3/4 Bernick Street, London W1A 3BA, on Friday the 6th day of June, 1980, at 12 o'clock, noon, for the purposes provided for in Sections 284 and 285, Dated the 21st day of May, 1980. Z. FICZA, Director.

## TRAVEL

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# Boost for world cobalt output

BY GEORGE MILLING-STANLEY

A PROJECT to boost non-Communist world cobalt production by about 25 per cent from the current level of 24,000 tonnes was unveiled yesterday.

Zambia Engineering Services, a wholly-owned subsidiary of Copper Mines Consolidated, has announced details of a two-stage plan to expand cobalt output at the NCCM Rukana plant in Zambia.

The first stage involves the construction of a \$55m cobalt refinery, which is due to be commissioned early in 1982 and will produce 2,600 tonnes of cobalt per year. Stage two is an expansion of the plant, aimed at boosting its annual production to some 5,000 tonnes at a further cost of \$25m to complete.

The development is of particular importance for the metalurgical and chemical industries in the area engine, petrochemical, oil refining and electronics fields, all of which have an essential requirement for the metal, one of earth's rarest.

One of the key factors affecting demand for cobalt is the need for international airlines to re-equip their aircraft with quieter, cleaner and more fuel-efficient engines.

The metal is currently selling at around \$25,000 per tonne.

ZES is also involved in a further project to lift cobalt output by treating the tailings from the Rukana copper smelter to produce a further 700 tonnes per year.

Zambia is currently the second largest producer of cobalt in the free world with about 3,750 tonnes per year following Zaire with an estimated 14,000 tonnes.

These projects would lift Zambia's production to about 10,000 tonnes by 1985, of which NCCM would account for around 7,500 tonnes.

## Further falls in sugar

By Our Commodities Staff

WORLD SUGAR values fell again yesterday wiping out most of Wednesday's technical rally. Values were boosted overnight by news that the Thailand Sugar Corporation had declared force majeure on more sugar contracts. This helped lift the London futures market October position to \$384 a tonne at one stage.

The Corporation's declaration covered 20,000 to 30,000 tonnes of raw sugar, an official said in Bangkok. Two weeks ago it made a similar declaration concerning 50,000 tonnes of sugar following the suspension of exports by the Government because of an internal supply shortage.

Dealers said at the time that further declarations were expected.

The rise was fairly shortlived, however. News that the London Commodity Clearing House had doubled its deposit requirement on sugar trading to £1,000 per 50-tonne lot hit prices in the afternoon and by the close the October position was quoted at \$384 a tonne, down £8 on the day.

## UK FARMING

# Balancing the budget

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

FEW FARMERS needed Lloyds Bank's analysis of the squeeze on their incomes to remind them that their future could be tough. The NFU has been making the point for a long time and has been demanding a further devaluation of the Green Pound and other special measures to redress the balance.

Now just a word on the EEC price award: This showed a negligible overall improvement in livestock returns except for sheep meat. But an 11 per cent rise including Green Pound devaluation in cereal prices is a potential disaster for those farmers dependent on cereal-based feed, particularly pigs and poultry.

There are signs of a fall in machinery sales. Farmers are being offered cheap credit and huge discounts — a sure sign of pressure on manufacturers and agents.

Replacement of machines is at a farmer's discretion, and most could manage with what they have for several years.

Rents and land costs are not as fixed as they appear to be. A farmer does not have to buy extra acreage. Nor is the rise in cost of rent inexorably steep as some land agents would have you believe. Several rent demands are under negotiation, going to arbitration — a sign of a stiffening in the tenants' attitude.

Nor do farmers have to pay high interest charges. They can stop or reduce borrowing and this is where we come to the crux of the matter.

There are two ways of making a farming profit. One is a high input, high output system. Some British farmers have been very good at this system. But there is also another way: matching lower income with lower costs. Margins in dairying especially under this latter system have been yielding in the case of Irish and Breton farming profitability higher than that of the British system.

The Ministry of Agriculture Advisory Service has been demonstrating better results with lower yield, lower cost units well-published moves out of dairying and other labour intensive production.

There is a growth of contract operations and the supply of contract labour for seasonal work. After all, it is better to pay a high price for a man when you need him than maintain him at full rates for a whole year.

## Wheat sales to China

CHINA HAS purchased 1.4m tonnes of Canadian wheat for delivery in the second year of a three-year sales agreement and, for the first time, has taken a quantity of Red Winter wheat.

The Canadian wheat board said shipment will begin in August from Pacific ports and continue for six months, but did not disclose prices received for the grain.

Sales in the first year of the agreement totalled 2m tonnes. The three-year agreement covers sales of up to 8.4m tonnes.

U.S. grain sales to the USSR, directly or indirectly via third countries, reached record levels this year in spite of the partial U.S. embargo on grain exports to the Soviets, EEC experts said.

According to figures made available to a meeting of grain experts in Brussels last month, more than 15m tonnes of U.S. wheat and feed grains were sold to the USSR in the current season, compared with sales of just over 11m tonnes in the 1978-79 season.

## Hopes raised of new cocoa pact

BY JOHN EDWARDS, COMMODITIES EDITOR

HOPES of a new International Cocoa Agreement being negotiated were raised yesterday when the International Cocoa Council decided to adjourn its meeting in London until September 8 and postpone liquidation of its buffer stock fund.

This follows an appeal from Mr. Gamali Corea, secretary-general of the UN Conference on Trade and Development (UNCTAD), for new efforts to be made to improve co-operation between producing and consuming countries following the collapse of the cocoa pact in March.

The decision to adjourn the Council meeting will give time for UNCTAD to continue informal consultations with a view to convening a conference in Geneva from July 28 to August 8 to examine the prospects for a new cocoa pact.

The decisions to make new efforts to negotiate a new pact since the March talks ended in acrimony and the collapse of the Agreement. Producers have seen prices collapse, while consuming countries have become increasingly worried by the possible repercussions on the North-South dialogue between industrialised and developing countries.

Carlos Andrade Pinto, Brazilian president of the Cocoa Producers' Alliance, told Reuters yesterday that the Alliance would still go ahead with its meeting on June 16-20 and had not abandoned its draft programme to set up a producer support fund using the accumulated buffer stock of \$220m from the Agreement.

However, consumers have made it plain that if the producers do withdraw the buffer stock funds this would seriously prejudice the chances of a new pact.

Values were steadier on the London cocoa futures market yesterday with the September position closing £19 up at £1.16 a tonne. This is still viewed as a technical reaction after the steep decline, but market sentiment was influenced by manufacturer buying and the possibility of a new cocoa pact emerging. Rumours that Brazil may be lowering its minimum export price, following the sale by Ivory Coast of 100,000 tonnes, were not confirmed.

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## Sharp rise in bacon prices

By Our Commodities Staff

WHOLESALE PRICES for British Ulster bacon rose to a record level yesterday. Each gained £30 to £1,230 a tonne. The Danish bacon price was also raised £30 to £1,260 a tonne, but this left it still below the all-time peak of £1,270 a tonne reached in January.

If the rise is spread over the whole side it will mean an increase of about 1.5p a lb in the shops next week. But with the holiday season approaching most of the extra cost is likely to be concentrated on rashers.

The seaside trade traditionally gives a boost to the bacon rasher market during the summer months.

## Tin down

By Our Commodities Staff

TIN PRICES dropped sharply on the London Metal Exchange yesterday following the failure of the Penang market overnight to rise in line with the higher trend in London on Tuesday.

Disappointed selling by speculators, especially chartists, forced the cash price to close £180 down at £7,395 a tonne and the three months quotation by £110 to £7,335.

Where there could be trouble for tenants hoping to expand. A tenant's capital is represented by crops, stock and machinery and is at the mercy of climatic and economic forces quite out of his control. Unlike an

owner-occupier, a tenant cannot sell off a piece of land or an unwanted cottage to get his overdraft down.

Some of the most worried farmers I know — but they are a small minority — are those who have been bitten by the craving for expansion. In this they have been assisted by a banking system which has been happy to invest in their success.

## Good tests with Swiss grass

BY ROBIN REEVES, WELSH CORRESPONDENT

A SPECIES of wild grass from the Swiss Alps may soon be helping to improve the agricultural productivity of Britain's hills and uplands. Preliminary trials with the variety, a perennial ryegrass code-named BA 9436, have yielded exceptionally good results at the Welsh Plant Breeding Station's hill land research centre at Pant y Dwr, 1,000 feet up in the mountains near Rhayader, mid-Wales.

The station is already optimistic that the Swiss newcomer will find its way on to the National Institute of Agricultural Botany's recommended list of grasses once the investigations into its persistency in wet, cold conditions and under a wide

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The station is already optimistic that the Swiss newcomer will find its way on to the National Institute of Agricultural Botany's recommended list of grasses once the investigations into its persistency in wet, cold conditions and under a wide

range of cutting and grazing conditions are completed.

Mr. E. C. Breese, the deputy director of the WPBS, says the grass, brought back to Wales by the station's scientists to test under Welsh conditions, has already revealed the desirable characteristics that will ensure its future role in the improvement of the uplands.

"It is giving the earliest and highest productivity of the perennial ryegrasses we are now testing under very harsh conditions."

"I think we have discovered what we have been looking for — good winter hardiness, early spring growth and high sward

density," said Mr. Breese.

The research centre has gained a great deal of knowledge from last year's exceptionally cold winter and spring, which dealt a crippling blow to many hill grasses but also highlighted those varieties which were scarcely harmed at all.

The hybrid ryegrass variety, Augusta, one of the new grasses bred at the WPBS which is particularly suitable for silage conservation survived the hard winter at the centre virtually unscathed. The station's new early perennial ryegrass, Manilla, soon to be released to farmers, also proved its ability to withstand the severe conditions without loss.

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## BRITISH COMMODITY MARKETS

### BASE METALS

COPPER—Barely changed in quiet and routine trading on the London Metal Exchange. Forward metal opened on a firm note around the \$210 level and moved up to touch \$220, reflecting the strong performance of precious metals. However, trade selling was noted at this level and the market drifted back to around \$214 in the afternoon three months drifted higher to touch \$220, but fell back to \$214 by the close of the day. Turnover, 18,575 tonnes.

|           | Official | Unofficial |
|-----------|----------|------------|
| Wirebars  | 895.4    | 890.1      |
| Cash      | 914.5    | 910.1      |
| 3 months  | 894      | 891        |
| 6 months  | 894.5    | 891.5      |
| 9 months  | 894.5    | 891.5      |
| 12 months | 894.5    | 891.5      |

Unimpounded Metal Trading reported that in the morning cash wirebars traded at \$294.35, three months \$292.10, 6 months \$291.15, 9 months \$290.15, 12 months \$289.15. Three months \$294.35, 6 months \$292.10, 9 months \$291.15, 12 months \$289.15.

LEAD—Forward metal edged up from \$210 to \$212 on the London Metal Exchange. Forward metal opened on a firm note around the \$210 level and moved up to touch \$220, reflecting the strong performance of precious metals. However, trade selling was noted at this level and the market drifted back to around \$214 in the afternoon three months drifted higher to touch \$220, but fell back to \$214 by the close of the day. Turnover, 18,575 tonnes.

LEAD—Forward metal edged up from \$210 to \$212 on the London Metal Exchange. Forward metal opened on a firm note around the \$210 level and moved up to touch \$220, reflecting the strong performance of precious metals. However, trade selling was noted at this level and the market drifted back to around \$214 in the afternoon three months drifted higher to touch \$220, but fell back to \$214 by the close of the day. Turnover, 18,575 tonnes.

## PRICE CHANGES

In tonnes unless otherwise stated.

|           | June 5    | June 6    | Month | Year |
|-----------|-----------|-----------|-------|------|
| Aluminium | 2310/15   | 2310/15   |       |      |
| Free Mkt  | 1890/1720 | 1890/1720 |       |      |
| Cash      | 2310/15   | 2310/15   |       |      |
| 3 months  | 2310/15   | 2310/15   |       |      |
| 6 months  | 2310/15   | 2310/15   |       |      |
| 9 months  | 2310/15   | 2310/15   |       |      |
| 12 months | 2310/15   | 2310/15   |       |      |

## AMERICAN MARKETS

HIGHER GOLD prices, mid-East tension and falling U.S. interest rates were responsible for strength in the U.S. market yesterday. Prices declined on weak economic conditions in the U.S. Coffee weakened due to the lack of frost in Brazil's growing areas. Cotton prices advanced after London's firmer close. Fears that the recession will restrict textile demand pushed prices lower. Cattle finished lower due to slow demand, while hogs were mixed. Reports of good harvesting progress caused wheat to decline. Maize weakened on export selling, while soybeans finished slightly lower, reported on a decline in demand.

## EUROPEAN MARKETS

Wheat—U.S. No. 2 Red Winter Wheat, July \$178, Aug. \$182, Sept. \$183. U.S. No. 3 Red Winter Wheat, July \$175, Aug. \$179, Sept. \$180. U.S. No. 4 Red Winter Wheat, July \$172, Aug. \$176, Sept. \$177. U.S. No. 5 Red Winter Wheat, July \$169, Aug. \$173, Sept. \$174. U.S. No. 6 Red Winter Wheat, July \$166, Aug. \$170, Sept. \$171. U.S. No. 7 Red Winter Wheat, July \$163, Aug. \$167, Sept. \$168. U.S. No. 8 Red Winter Wheat, July \$160, Aug. \$164, Sept. \$165. U.S. No. 9 Red Winter Wheat, July \$157, Aug. \$161, Sept. \$162. U.S. No. 10 Red Winter Wheat, July \$154, Aug. \$158, Sept. \$159. U.S. No. 11 Red Winter Wheat, July \$151, Aug. \$155, Sept. \$156. U.S. No. 12 Red Winter Wheat, July \$148, Aug. \$152, Sept. \$153. U.S. No. 13 Red Winter Wheat, July \$145, Aug. \$149, Sept. \$150. U.S. No. 14 Red Winter Wheat, July \$142, Aug. \$146, Sept. \$147. U.S. No. 15 Red Winter Wheat, July \$139, Aug. \$143, Sept. \$144. U.S. No. 16 Red Winter Wheat, July \$136, Aug. \$140, Sept. \$141. U.S. No. 17 Red Winter Wheat, July \$133, Aug. \$137, Sept. \$138. U.S. No. 18 Red Winter Wheat, July \$130, Aug. \$134, Sept. \$135. U.S. No. 19 Red Winter Wheat, July \$127, Aug. \$131, Sept. \$132. U.S. No. 20 Red Winter Wheat, July \$124, Aug. \$128, Sept. \$129. U.S. No. 21 Red Winter Wheat, July \$121, Aug. \$125, Sept. \$126. U.S. No. 22 Red Winter Wheat, July \$118, Aug. \$122, Sept. \$123. U.S. No. 23 Red Winter Wheat, July \$115, Aug. \$119, Sept. \$120. U.S. No. 24 Red Winter Wheat, July \$112, Aug. \$116, Sept. \$117. U.S. No. 25 Red Winter Wheat, July \$109, Aug. \$113, Sept. \$114. U.S. No. 26 Red Winter Wheat, July \$106, Aug. \$110, Sept. \$111. U.S. No. 27 Red Winter Wheat, July \$103, Aug. \$107, Sept. \$108. U.S. No. 28 Red Winter Wheat, July \$100, Aug. \$104, Sept. \$105. U.S. No. 29 Red Winter Wheat, July \$97, Aug. \$101, Sept. \$102. U.S. No. 30 Red Winter Wheat, July \$94, Aug. \$98, Sept. \$99. U.S. No. 31 Red Winter Wheat, July \$91, Aug. \$95, Sept. \$96. U.S. No. 32 Red Winter Wheat, July \$88, Aug. \$92, Sept. \$93. U.S. No. 33 Red Winter Wheat, July \$85, Aug. \$89, Sept. \$90. U.S. No. 34 Red Winter Wheat, July \$82, Aug. \$86, Sept. \$87. U.S. No. 35 Red Winter Wheat, July \$79, Aug. \$83, Sept. \$84. U.S. No. 36 Red Winter Wheat, July \$76, Aug. \$80, Sept. \$81. U.S. No. 37 Red Winter Wheat, July \$73, Aug. \$77, Sept. \$78. U.S. No. 38 Red Winter Wheat, July \$70, Aug. \$74, Sept. \$75. U.S. No. 39 Red Winter Wheat, July \$67, Aug. \$71, Sept. \$72. U.S. No. 40 Red Winter Wheat, July \$64, Aug. \$68, Sept. \$69. U.S. No. 41 Red Winter Wheat, July \$61, Aug. \$65, Sept. \$66. U.S. No. 42 Red Winter Wheat, July \$58, Aug. \$62, Sept. \$63. U.S. No. 43 Red Winter Wheat, July \$55, Aug. \$59, Sept. \$60. U.S. No. 44 Red Winter Wheat, July \$52, Aug. \$56, Sept. \$57. U.S. No. 45 Red Winter Wheat, July \$49, Aug. \$53, Sept. \$54. U.S. No. 46 Red Winter Wheat, July \$46, Aug. \$50, Sept. \$51. U.S. No. 47 Red Winter Wheat, July \$43, Aug. \$47, Sept. \$48. U.S. No. 48 Red Winter Wheat, July \$40, Aug. \$44, Sept. \$45. U.S. No. 49 Red Winter Wheat, July \$37, Aug. \$41, Sept. \$42. U.S. No. 50 Red Winter Wheat, July \$34, Aug. \$38, Sept. \$39. U.S. No. 51 Red Winter Wheat, July \$31, Aug. \$35, Sept. \$36. U.S. No. 52 Red Winter Wheat, July \$28, Aug. \$32, Sept. \$33. U.S. No. 53 Red Winter Wheat, July \$25, Aug. \$29, Sept. \$30. U.S. No. 54 Red Winter Wheat, July \$22, Aug. \$26, Sept. \$27. U.S. No. 55 Red Winter Wheat, July \$19, Aug. \$23, Sept. \$24. U.S. No. 56 Red Winter Wheat, July \$16, Aug. \$20, Sept. \$21. U.S. No. 57 Red Winter Wheat, July \$13, Aug. \$17, Sept. \$18. U.S. No. 58 Red Winter Wheat, July \$10, Aug. \$14, Sept. \$15. U.S. No. 59 Red Winter Wheat, July \$7, Aug. \$11, Sept. \$12. U.S. No. 60 Red Winter Wheat, July \$4, Aug. \$8, Sept. \$9. U.S. No. 61 Red Winter Wheat, July \$1, Aug. \$5, Sept. \$6. U.S. No. 62 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 63 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 64 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 65 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 66 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 67 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 68 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 69 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 70 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 71 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 72 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 73 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 74 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 75 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 76 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 77 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 78 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 79 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 80 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 81 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 82 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 83 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 84 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 85 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 86 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 87 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 88 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 89 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 90 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. U.S. No. 91 Red Winter Wheat, July \$0, Aug. \$4, Sept. \$5. 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## INDICES

FINANCIAL TIMES

|           | June 4 | June 5 | Month | Year |
|-----------|--------|--------|-------|------|
| Dow Jones | 287.8  | 287.8  |       |      |
| Moody's   | 1114.0 | 1114.0 |       |      |
| Reuters   | 1685.6 | 1685.6 |       |      |

## COMPANY NOTICES

ANGLO-AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)

NOTICE TO HOLDERS OF DEBENTURES OF THE COMPANY

With reference to the notice of declaration of dividend advertised in the Press on 2nd June 1980, the following information is published for the guidance of holders of debentures of the Company:

The dividend of 5% (cents) was declared in South African currency, South Africa, and is payable on the 15th July 1980 at the offices of the Company.

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## GRAINS

LONDON GRAIN FUTURES—Grains opened higher due to good physical demand in the country, some barley hedge selling against the high in the afternoon related to the wheat market, and a slightly



## LONDON STOCK EXCHANGE

## Early enthusiasm for equity leaders fades but Gilts continue higher—Land Securities rights issue surprise

## Account Dealing Dates

**Options**  
 \*First Declared Last Account  
 Dealings Close Dealings Day  
 May 12 May 23 May 30 June 9  
 June 2 June 12 June 13 June 23  
 June 16 June 26 June 27 July 7

"New share" dealings may take place from 9 am two business days earlier.

A promising start in London equity leaders pattered out yesterday following sudden weakness in ICI following rumours, later confirmed, of a broking house downgrading its profits estimate for the group; talk also revived of a possible fund raising operation. Enthusiasm was later stifled by first-quarter profits from British Petroleum generally regarded as uninspiring, in particular, by oil market operators.

The about-turn was well illustrated by the FT 30-share index which touched its best of the day at 10 am with a rise of 2.9 and held near to that level until 1 pm. At the following calculation, the gain had been replaced by a small loss, but at the close the index was showing a marginal gain of 0.4 at 423.4.

Apart from ICI, market interest was dominated by Land Securities, which at 9.30 am, surprisingly announced a rights issue, proposing to raise approximately £108m. The funding news had a marked unsettling effect on other leading property shares and prompted a speculative reaction in secondary issues.

South African mining shares made fresh progress, but closed below the day's best, while renewed interest was shown in Australian mining and energy-related issues, although the sector took on a rather mixed appearance after the recent upsurge.

## Ottoman Bank down

Overseas funds drawn by the firmness of sterling and the continuing decline in U.S. prime rates gave Government securities fresh heart yesterday. Short-dated stocks improved by up to 1, while rises in the medium and long extended to 1 and occasionally more. The new medium term, Kitchener 134 per cent 1994, made a colourless debut and stayed at par in 540 paid form. The Bank of England's cancellation of special deposits was expected, but the decision not to extend the sale and repurchase of gilt-edged facility to clearing banks when it expires on June 12 and 17 was rather surprising.

Business in traded options was well distributed with five stocks recording deals in excess three figures. The day's total amounted to 956 with Land

## Securities attracting 175 trades

Particularly firm recently on speculative support ahead of possible developments at annual meeting, Ottoman Bank fell 7 points to 255 following the chairman's denial at yesterday's meeting of recent suggestions that the group had hidden gold reserves and his reaffirmation of the company's policy of not extending the previous day's upturn which followed the Government's declaration that it has no intention of introducing a "windfall tax" on bank profits this year; sentiment also reflected yesterday's Bank of England decision to cancel the recall of special deposits. Closing levels were a couple of pence below the best but Barclays ended 5 better at 525p and Midland 4 dearer at 533p. Merchant banks encountered selective support with Hambros notable for a rise of 8 to 391p. Currently in receipt of an agreed cash offer from the Charterhouse Group, Keynes Uhlmann advanced 6 to 80p; Charterhouse gain 5 to 82p. Wagon Finance rose 3 to 45p among firm Hire Purchases.

Quietly firm conditions prevailed in Insurance. Stewart Wriglesworth improved 3 to 200p in response to Press comment while similar improvements were seen in Bowring, 197p, and C. E. Heath, 195p. GRE added 4 to 254p and Sun Alliance rose 8 to 574p among Composites.

Early buying raised leading Breweries and, although the momentum slowed later, most stocks closed at the day's best. Greenall Whitley rose 2 to 185p, while Allied, annual results next Tuesday, firmed a penny to 77p. Wines and Spirits remained quiet but good speculative support was noted for Highland, 7 up 142p.

Quietly firm conditions persisted in the Building sector. Tarnas were reported and rose 9 to 234p, while Redland added 4 to 156p and BPF improved 3 to 180p. Blue Circle touched 323p before closing a net 2 higher at 320p, while Ready Mixed Concrete picked up 3 to 160p. Elsewhere, fresh interest in a bid market lifted Barrett and Halkinore to 615p, but Derek Crouch, a good market of late because of an investment recommendation, eased 3 to 135p.

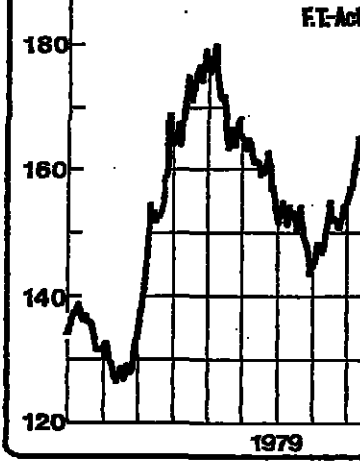
A broker's downward revision of its profits estimates for ICI brought pressure to bear and the price fell to 350p prior to a close of 356p, down 10 on balance. Among other Chemicals Allied Colloids put on 9 to 115p on renewed speculative buying and Colgate added 3 to 111p, the latter in reflection of its oil interests. Hekson and Welch firmed 3 to 155p following the

satisfactory interim results, while Leigh Interests, 132p, and Plym, 96p, added a couple of pence apiece after their respective preliminary statements.

## Moss Bros. jump

Otherwise subdued secondary Stores were featured by Moss Bros., 30 higher at 255p, after speculative buying in a restricted market. Buyers also showed interest in Batters (Jewellers),

## Insurance (Life)



amount to 34p. Still reflecting nationalisation compensation hopes, Vickers improved initially to 119p but then eased on lack of follow-through support to close at the overnight level of 117p. GKN lost 3 to 200p and Tubes dipped 2 to 244p. Hawker rallied late to score a net gain of 2 at 166p, after 162p.

Leading Foods took a firmer line and J. Sainsbury improved 5 to 360p, while Associated Dairies hardened 4 to 174p. Elsewhere, Alpine Soft Drinks put on 7 to 87p following the appearance of a solitary buyer, while Louis C. Edwards revived with a gain of 4 to 68p. Buying in a thin market lifted Bernard Matthews 8 to 200p and support was again seen for Sempertex, which advanced 7 more to 157p.

Selected Electricals attracted fresh speculative support and closed with gains extending to 12. Electrocomponents advanced that much to 512p, while Farrell, 260p, and United, 265p, rose 6 and 4 respectively. Awaiting details of the proposed sale of the National Enterprise Board's stake in the company, Ferranti picked up 7 to 503p. Henry Wigfall improved 7 to 198p, after 199p, following the maintained dividends, but Electronic Rentals, firm ahead of its preliminary announcement, slipped back to 80p, for a fall of 4 on balance, on the profits setback.

Pegler Hattersley stood out in Engineering with a rise of 10 to 110p in response to the better-than-expected preliminary results. The chairman's

optimistic annual statement prompted an improvement of 7 to 199p in Matthew Hall, while Hall gained 6 to 145p. Renold, 65p, and Wolsey Hughes, 245p, added 5 apiece. Brooke Tool edged forward a penny to 51p on the increased first-half profits and Thomas Locker hardened 14 to 120p on further consideration of the second-half profits improvement. Dupont, on the other hand, receded 3 to 354p and Birm's-asm Pallet dipped a sim. ar

national touched 198p before closing a net 2 better on balance at 184p. Elsewhere, Burco Dean were a notable gull spot, falling 3 to 28p, after 24p, on news of a 30 per cent increase in the interim dividend and first-half deficit. Standard Fireworks, however, rose 7 to 97p following the better-than-expected results and Morgan Crucible firmed 3 to 127p in response to the higher first-quarter earnings. BTR found support at 280p, up 14, and the Australian giant Broken Hill Proprietary jumped 20 to 740p.

Among Leisure issues, Pleasura shed 4 to 145p on the disappointing interim results. Lucas, at 190p, recovered the previous day's fall of 5 stemming from confirmation of the redundancies at the company's electric division. Other Components to improve included Dowty, 4 up to 176p, and Flight Refuelling, 7 to the good at 283p. Dunlop, however, eased a couple of pence to 58p.

**Burmah up late**  
 The surprise announcement at the start of business of a £108m rights issue caused a sharp reaction in Land Securities which fell 8 to 350p before closing at 356p. Other Properties gave considerable support in sympathy with MEPC 7 off at 197p, after 195p. Haslemere Estates, 312p, and Great Portland Estates, 222p, shed 10 apiece, while Stock Conversion firmed 4 to 385p. Halmston A dipped 20 to 359p, while Samson, 118p, and Brixton Estates, 137p, shed 4 and 5 respectively.

First-quarter profits much in line with market estimates left British Petroleum a couple of pence firmer at 358p, after 362p. Braham's 121 to 140p, after speculative support. Speculative interest also lifted Canadea 7 to 155p, while Carless Capel added a penny to 135p. Buyers came in for Premier, 24 to the good at 98p, and Century, 4 higher at 180p.

**Gold advance**  
 John Beales succumbed to further nervous selling ahead of today's preliminary results and shed 4 more to 18p. Elsewhere in Textiles, Carrington Viella slipped a penny to 104p and Sillar gave up 3 to 81p. Further consideration of the chairman's review and auditor's qualification of the Accounts clipped 14 from Total at 24p.

Charles's annual results proved to be in line with general expectations and the shares held at 712p. Among other Plantations, Castlefield, 450p, and Malakoff, 112p, added 10 and 5 respectively, but London

**Burco Dean fall**  
 A downward revision of an earlier ICI profits forecast by a leading specialist unsettled the miscellaneous industrial leaders which had earlier made a promising start. The closing trend was mixed. Glaxo finished 4 down at 192p, Rowater 2 lower at 164p and Bechem a penny off at 125p, after 126p, but Pilkington added 3 to 190p. Still drawing strength from preliminary results, Reed Inter-

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## FINANCIAL TIMES STOCK INDICES

|                        | June 5 | June 4 | June 3 | June 2 | May 30 | May 29 | May 28 |
|------------------------|--------|--------|--------|--------|--------|--------|--------|
| Government Secs.       | 67.75  | 67.50  | 67.47  | 67.11  | 67.70  | 67.29  | 67.14  |
| Fixed Interest         | 66.36  | 66.21  | 66.20  | 66.18  | 66.41  | 66.45  | 66.41  |
| Industrial             | 483.4  | 483.0  | 483.0  | 412.7  | 415.1  | 417.5  | 417.5  |
| Gold Mines             | 337.2  | 338.0  | 338.0  | 333.8  | 334.4  | 334.4  | 334.4  |
| Ord. Div. Yield        | 8.47   | 8.46   | 8.46   | 8.59   | 8.55   | 8.55   | 8.55   |
| Earnings/Div. (x full) | 80.48  | 80.41  | 80.74  | 81.09  | 80.95  | 80.95  | 80.95  |
| P/E Ratio (net of £)   | 5.96   | 5.96   | 5.96   | 5.75   | 5.75   | 5.75   | 5.75   |
| Total bargains         | 17,044 | 17,066 | 19,568 | 19,195 | 30,970 | 18,351 | 18,351 |
| Equity turnover (m)    | 95.88  | 94.76  | 94.00  | 116.24 | 94.64  | 94.64  | 94.64  |
| Equity bargains total  | 12,964 | 12,958 | 14,874 | 15,715 | 12,765 | 12,765 | 12,765 |

10 am 425.8, 11 am 425.8, Noon 425.2, 1 pm 425.5, 2 pm 427.7, 3 pm 422.6.  
 Latest Index 01-288 8028.  
 \*W=35.5.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1628. Industrial 17/35. Gold Mines 12/9/35. SE Activity July-Dec. 1942.  
 †Corrected.

## HIGHS AND LOWS

| HIGHS AND LOWS |                 |                 |                    | S.E. ACTIVITY      |  |                                |
|----------------|-----------------|-----------------|--------------------|--------------------|--|--------------------------------|
|                | 1980            |                 | Since Completion   |                    | June 5   | June 4                         |
|                | High            | Low             | High               | Low                |  |                                |
| Govt. Secs.    | 66.36<br>(8/17) | 65.85<br>(7/8)  | 137.4<br>(8/18/80) | 65.18<br>(6/17/80) | Daily<br>Closed<br>Industrial<br>Speculative<br>Totals         | 104.0<br>88.5<br>45.0<br>71.7  |
| Fixed Int.     | 66.36<br>(8/17) | 64.70<br>(8/17) | 150.6<br>(8/17/80) | 60.58<br>(6/17/80) |  |                                |
| Ind. Ord.      | 478.5<br>(18/8) | 406.9<br>(18/8) | 558.5<br>(9/1)     | 30.4<br>(8/24/80)  | 5-day Average<br>Closed<br>Industrial<br>Speculative<br>Totals | 108.4<br>107.9<br>43.8<br>76.9 |
| Gold Mines     | 377.9<br>(22/8) | 365.5<br>(18/8) | 448.5<br>(23/8/78) | 43.5<br>(2/18/77)  |  |                                |

## NEW HIGHS AND LOWS FOR 1980

The following shares quoted in the Stock Exchange reached new highs and lows for 1980.

**NEW HIGHS (48)**  
 British Petroleum, 358p; Glaxo, 192p; Halkinore, 615p; ICI, 356p; J. Sainsbury, 360p; Lloyds Bank, 110p; M&P, 110p; N. B. Ltd., 110p; Odeon, 110p; P. & O., 110p; R. & B., 110p; S. & B., 110p; T. & B., 110p; U. & B., 110p; V. & B., 110p; W. & B., 110p; X. & B., 110p; Y. & B., 110p; Z. & B., 110p.

**NEW LOWS (40)**  
 Anglo-Siam, 110p; B. & S., 110p; C. & S., 110p; D. & S., 110p; E. & S., 110p; F. & S., 110p; G. & S., 110p; H. & S., 110p; I. & S., 110p; J. & S., 110p; K. & S., 110p; L. & S., 110p; M. & S., 110p; N. & S., 110p; O. & S., 110p; P. & S., 110p; Q. & S., 110p; R. & S., 110p; S. & S., 110p; T. & S., 110p; U. & S., 110p; V. & S., 110p; W. & S., 110p; X. & S., 110p; Y. & S., 110p; Z. & S., 110p.

## LONDON TRADED OPTIONS

|        | July           |               |      | Oct.          |      |               | Jan. |       |  |
|--------|----------------|---------------|------|---------------|------|---------------|------|-------|--|
| Option | Exercise price | Closing offer | Vol. | Closing offer | Vol. | Closing offer | Vol. |       |  |
| BP     | 350            | 42            | 13   | 58            | 4    | 70            | 1    | 359p  |  |
| BP     | 360            | 19            | 28   | 27            | 10   | 54            | 10   | 360p  |  |
| BP     | 370            | 9             | 22   | 24            | 16   | 1             | 1    | 370p  |  |
| BP     | 380            | 5             | 3    | 15            | 1    | 1             | 1    | 380p  |  |
| BP     | 390            | 16            | 20   | 14            | 1    | 1             | 1    | 390p  |  |
| BP     | 400            | 5             | 3    | 15            | 1    | 1             | 1    | 400p  |  |
| BP     | 410            | 4             | 3    | 15            | 1    | 1             | 1    | 410p  |  |
| BP     | 420            | 4             | 3    | 15            | 1    | 1             | 1    | 420p  |  |
| BP     | 430            | 4             | 3    | 15            | 1    | 1             | 1    | 430p  |  |
| BP     | 440            | 4             | 3    | 15            | 1    | 1             | 1    | 440p  |  |
| BP     | 450            | 4             | 3    | 15            | 1    | 1             | 1    | 450p  |  |
| BP     | 460            | 4             | 3    | 15            | 1    | 1             | 1    | 460p  |  |
| BP     | 470            | 4             | 3    | 15            | 1    | 1             | 1    | 470p  |  |
| BP     | 480            | 4             | 3    | 15            | 1    | 1             | 1    | 480p  |  |
| BP     | 490            | 4             | 3    | 15            | 1    | 1             | 1    | 490p  |  |
| BP     | 500            | 4             | 3    | 15            | 1    | 1             | 1    | 500p  |  |
| BP     | 510            | 4             | 3    | 15            | 1    | 1             | 1    | 510p  |  |
| BP     | 520            | 4             | 3    | 15            | 1    | 1             | 1    | 520p  |  |
| BP     | 530            | 4             | 3    | 15            | 1    | 1             | 1    | 530p  |  |
| BP     | 540            | 4             | 3    | 15            | 1    | 1             | 1    | 540p  |  |
| BP     | 550            | 4             | 3    | 15            | 1    | 1             | 1    | 550p  |  |
| BP     | 560            | 4             | 3    | 15            | 1    | 1             | 1    | 560p  |  |
| BP     | 570            | 4             | 3    | 15            | 1    | 1             | 1    | 570p  |  |
| BP     | 580            | 4             | 3    | 15            | 1    | 1             | 1    | 580p  |  |
| BP     | 590            | 4             | 3    | 15            | 1    | 1             | 1    | 590p  |  |
| BP     | 600            | 4             | 3    | 15            | 1    | 1             | 1    | 600p  |  |
| BP     | 610            | 4             | 3    | 15            | 1    | 1             | 1    | 610p  |  |
| BP     | 620            | 4             | 3    | 15            | 1    | 1             | 1    | 620p  |  |
| BP     | 630            | 4             | 3    | 15            | 1    | 1             | 1    | 630p  |  |
| BP     | 640            | 4             | 3    | 15            | 1    | 1             | 1    | 640p  |  |
| BP     | 650            | 4             | 3    | 15            | 1    | 1             | 1    | 650p  |  |
| BP     | 660            | 4             | 3    | 15            | 1    | 1             | 1    | 660p  |  |
| BP     | 670            | 4             | 3    | 15            | 1    | 1             | 1    | 670p  |  |
| BP     | 680            | 4             | 3    | 15            | 1    | 1             | 1    | 680p  |  |
| BP     | 690            | 4             | 3    | 15            | 1    | 1             | 1    | 690p  |  |
| BP     | 700            | 4             | 3    | 15            | 1    | 1             | 1    | 700p  |  |
| BP     | 710            | 4             | 3    | 15            | 1    | 1             | 1    | 710p  |  |
| BP     | 720            | 4             | 3    | 15            | 1    | 1             | 1    | 720p  |  |
| BP     | 730            | 4             | 3    | 15            | 1    | 1             | 1    | 730p  |  |
| BP     | 740            | 4             | 3    | 15            | 1    | 1             | 1    | 740p  |  |
| BP     | 750            | 4             | 3    | 15            | 1    | 1             | 1    | 750p  |  |
| BP     | 760            | 4             | 3    | 15            | 1    | 1             | 1    | 760p  |  |
| BP     | 770            | 4             | 3    | 15            | 1    | 1             | 1    | 770p  |  |
| BP     | 780            | 4             | 3    | 15            | 1    | 1             | 1    | 780p  |  |
| BP     | 790            | 4             | 3    | 15            | 1    | 1             | 1    | 790p  |  |
| BP     | 800            | 4             | 3    | 15            | 1    | 1             | 1    | 800p  |  |
| BP     | 810            | 4             | 3    | 15            | 1    | 1             | 1    | 810p  |  |
| BP     | 820            | 4             | 3    | 15            | 1    | 1             | 1    | 820p  |  |
| BP     | 830            | 4             | 3    | 15            | 1    | 1             | 1    | 830p  |  |
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| BP     | 870            | 4             | 3    | 15            | 1    | 1             | 1    | 870p  |  |
| BP     | 880            | 4             | 3    | 15            | 1    | 1             | 1    | 880p  |  |
| BP     | 890            | 4             | 3    | 15            | 1    | 1             | 1    | 890p  |  |
| BP     | 900            | 4             | 3    | 15            | 1    | 1             | 1    | 900p  |  |
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| BP     | 920            | 4             | 3    | 15            | 1    | 1             | 1    | 920p  |  |
| BP     | 930            | 4             | 3    | 15            | 1    | 1             | 1    | 930p  |  |
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| BP     | 980            | 4             | 3    | 15            | 1    | 1             | 1    | 980p  |  |
| BP     | 990            | 4             | 3    | 15            | 1    | 1             | 1    | 990p  |  |
| BP     | 1000           | 4             | 3    | 15            | 1    | 1             | 1    | 1000p |  |
| BP     | 1010           | 4             | 3    | 15            | 1    | 1             | 1    | 1010p |  |
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| BP     | 1050           | 4             | 3    | 15            | 1    | 1             | 1    | 1050p |  |
| BP     | 1060           | 4             | 3    | 15            | 1    | 1             | 1    | 1060p |  |
| BP     | 1070           | 4             | 3    | 15            | 1    | 1             | 1    | 1070p |  |
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| BP     | 1090           | 4             | 3    | 15            | 1    | 1             | 1    | 1090p |  |
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| BP     | 1110           | 4             | 3    | 15            | 1    | 1             | 1    | 1110p |  |
| BP     | 1120           | 4             | 3    | 15            | 1    | 1             | 1    | 1120p |  |
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| BP     | 1140           | 4             | 3    | 15            | 1    | 1             | 1    | 1140p |  |
| BP     | 1150           | 4             | 3    | 15            | 1    | 1             | 1    | 1150p |  |
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| BP     | 1280           | 4             | 3    | 15            | 1    | 1             | 1    | 1280p |  |
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| BP     | 1300           | 4             | 3    | 15            | 1    | 1             | 1    | 1300p |  |
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| BP     | 1380           | 4             | 3    | 15            | 1    | 1             | 1    | 1380p |  |
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| BP     | 1460           | 4             | 3    | 15            | 1    | 1             | 1    | 1460p |  |
| BP     | 1470           | 4             | 3    | 15            | 1    | 1             | 1    | 1470p |  |
| BP     | 1480           | 4             | 3    | 15            | 1    | 1             | 1    | 1480p |  |
| BP     | 1490           | 4             | 3    | 15            | 1    | 1             | 1    | 1490p |  |
| BP     | 1500           | 4             | 3    | 15            | 1    | 1             | 1    | 1500p |  |
| BP     | 1510           | 4             | 3    | 15            | 1    | 1             | 1    | 1510p |  |
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| BP     | 1530           | 4             | 3    | 15            | 1    | 1             | 1    | 1530p |  |
| BP     | 1540           | 4             | 3    | 15            | 1    | 1             | 1    | 1540p |  |
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| BP     | 1590           | 4             | 3    | 15            | 1    | 1             | 1    | 1590p |  |
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| BP     | 1630           | 4             | 3    | 15            | 1    | 1             | 1    | 1630p |  |
| BP     | 1640           | 4             | 3    | 15            | 1    | 1             | 1    | 1640p |  |
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| BP     | 1660           | 4             | 3    | 15            | 1    | 1             | 1    | 1660p |  |
| BP     | 1670           | 4             | 3    | 15            | 1    | 1             | 1    | 1670p |  |
| BP     | 1680           | 4             | 3    | 15            | 1    | 1             | 1    | 1680p |  |
| BP     | 1690           | 4             | 3    | 15            | 1    | 1             | 1    | 1690p |  |
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| BP     | 1730           | 4             | 3    | 15            | 1    | 1             | 1    | 1730p |  |
| BP     | 1740           | 4             | 3    | 15            | 1    | 1             | 1    | 1740p |  |
| BP     | 1750           | 4             | 3    | 15            | 1    | 1             | 1    | 1750p |  |
| BP     | 1760           | 4             | 3    | 15            | 1    | 1             | 1    | 1760p |  |
| BP     | 1770           | 4             | 3    | 15            | 1    | 1             | 1    | 1770p |  |
| BP     | 1780           | 4             | 3    | 15            | 1    | 1             | 1    | 1780p |  |
| BP     | 1790           | 4             | 3    | 15            | 1    | 1             | 1    | 1790p |  |
| BP     | 1800           | 4             | 3    | 15            | 1    | 1             | 1    | 1800p |  |
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| BP     | 1820           | 4             | 3    | 15            | 1    | 1             | 1    | 1820p |  |
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| BP     | 1840           | 4             | 3    | 15            | 1    | 1             | 1    | 1840p |  |
| BP     | 1850           | 4             | 3    | 15            | 1    | 1             | 1    | 1850p |  |
| BP     | 1860           | 4             | 3    | 15            | 1    | 1             | 1    | 1860p |  |
| BP     | 1870           | 4             | 3    | 15            | 1    | 1             | 1    | 1870p |  |
| BP     | 1880           | 4             | 3    | 15            | 1    | 1             | 1    | 1880p |  |
| BP     | 1890           | 4             | 3    | 15            | 1    | 1             | 1    | 1890p |  |
| BP     | 1900           | 4             | 3    | 15            | 1    | 1             | 1    | 1900p |  |
| BP     | 1910           | 4             | 3    | 15            | 1    | 1             | 1    | 1910p |  |
| BP     | 1920           | 4             | 3    | 15            | 1    | 1             | 1    | 1920p |  |
| BP     | 1930           | 4             | 3    | 15            | 1    | 1             | 1    | 1930p |  |
| BP     | 1940           | 4             | 3    | 15            | 1    | 1             | 1    | 1940p |  |
| BP     | 1950           | 4             | 3    | 15            | 1    | 1             | 1    | 1950p |  |
| BP     | 1960           | 4             | 3    | 15            | 1    | 1             | 1    | 1960p |  |
| BP     | 1970           | 4             | 3    | 15            | 1    | 1             | 1    | 1970p |  |
| BP     | 1980           | 4             | 3    | 15            | 1    | 1             | 1    | 1980p |  |
| BP     | 1990           | 4             | 3    | 15            | 1    | 1             | 1    | 1990p |  |
| BP     | 2000           | 4             | 3    | 15            | 1    | 1             | 1    | 2000p |  |
| BP     | 2010           | 4             | 3    | 15            | 1    | 1             | 1    | 2010p |  |
| BP     | 2020           | 4             | 3    | 15            | 1    | 1             | 1    | 2020p |  |
| BP     | 2030           | 4             | 3    | 15            | 1    | 1             | 1    | 2030p |  |
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| BP     | 2050           | 4             | 3    | 15            | 1    | 1             | 1    | 2050p |  |
| BP     | 2060           | 4             | 3    | 15            | 1    | 1             | 1    | 2060p |  |
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| BP     | 2080           | 4             | 3    | 15            | 1    | 1             | 1    | 2080p |  |
| BP     | 2090           | 4             | 3    | 15            | 1    | 1             | 1    | 2090p |  |
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| BP     | 2110           | 4             | 3    | 15            | 1    | 1             | 1    | 2110p |  |
| BP     | 2120           | 4             | 3    | 15            | 1    | 1             | 1    | 2120p |  |
| BP     | 2130           | 4             | 3    | 15            | 1    | 1             | 1    | 2130p |  |
| BP     | 2140           | 4             | 3    | 15            | 1    | 1             | 1    | 2140p |  |
| BP     | 2150           | 4             | 3    | 15            | 1    | 1             | 1    | 2150p |  |
| BP     | 2160           | 4             | 3    | 15            | 1    | 1             | 1    | 2160p |  |
| BP     | 2170           | 4             | 3    | 15            | 1    | 1             | 1    | 2170p |  |
| BP     | 2180           | 4             | 3    | 15            | 1    | 1             | 1    | 2180p |  |
| BP     | 2190           | 4             | 3    | 15            | 1    | 1             | 1    | 2190p |  |
| BP     | 2200           | 4             | 3    | 15            | 1    | 1             | 1    | 2200p |  |
| BP     | 2210           | 4             | 3    | 15            | 1    | 1             | 1    | 2210p |  |
| BP     | 2220           | 4             | 3    | 15            | 1    | 1             | 1    | 2220p |  |



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## FINANCIAL TIMES

Friday June 6 1980

BELL'S  
SCOTCH WHISKY  
BELL'S

## BP first quarter profit up to £504.7m

BY MARTIN DICKSON, ENERGY CORRESPONDENT

BRITISH PETROLEUM yesterday announced a first quarter net profit of £504.7m—up 87 per cent on last year's £270m—but warned that its chemicals and plastics sales had suffered a "sharp deterioration" in practically all areas since March.

The company said its net income on a current cost basis—which it argues gives a more realistic profit estimate—was £161m, up 34 per cent on last year's £120m.

Its comments on the chemicals sectors coincided with a sombre forecast by the Chemical Industries Association, which said that "already inadequate

profit margins will be squeezed further." Meanwhile, ICI's shares fell 10p on the day to close at 560p.

BP said that although its chemicals and plastics sales performance had been satisfactory for much of the first quarter, the position had deteriorated since March, "particularly in the UK, where product selling into the textile and construction industries is badly down."

The Association said in its spring economic bulletin that reports from major companies indicated that business for the

first quarter was better than had been expected, particularly in view of the steel strike.

But it added: "Over the next few months, in the face of falling demand, a relatively high level of competition from cheap imports of petrochemicals and derivatives from the U.S., it is going to be increasingly difficult for chemical manufacturers, especially those in the petrochemicals/plastics sectors, to secure adequate price levels."

"At the same time there is little likelihood of an early and significant easing of the rate of general cost inflation, so

that already inadequate profit margins will be squeezed further."

The Association noted that over the first three months of 1980 the price index of raw materials and fuels purchased by the chemicals industry had shown an average increase of 42 per cent from the same period of 1979—much of it due to a large rise in the price of feedstocks. It added that the persistence of a high exchange rate did not augur well for the future profitability of exports.

The sector's problems were underlined by Mr. Don Hindson, finance director for ICI's plastics division, who said in the company's newspaper, *Plastics News*, that the division had experienced much more difficult trading conditions since the end of the first quarter.

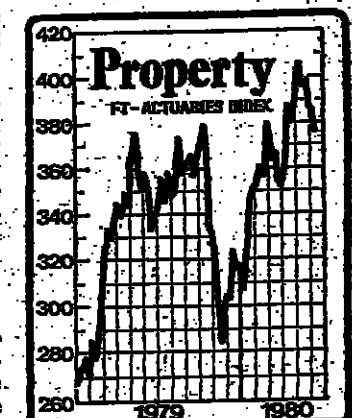
Both British and continental sales had been declining as the recession started to bite. The general fall in demand in Western Europe and the expectation of more stable raw materials prices had led to destocking by downstream industries, which had further reduced current sales.

Report Page 25

## THE LEX COLUMN

## Land Securities' equity route

Index rose 0.4 to 423.4



The Bank of England's decision to make the clearing banks buy back the film of gilt-edged stock that it bought off them at the height of the money market squeeze during the winter should bring the market back to a more or less normal footing. In the short run, though, the clearing banks' repurchase ought to keep things tight enough—even with the heavy Government spending now going through—to enable the Bank to stay in control by forcing the discount market to borrow at 17 per cent.

## Land Securities

Whatever has been happening in the manufacturing sectors, property share prices have been buoyant this year—the sector index was more than a fifth up on the end-1979 level before yesterday's setback—and the temptation to raise new money on a "cheap" yield of 4.2 per cent has been too strong for Land Securities to resist.

Instead of drawing on a £60m stand-by facility, which would have cost a small margin over LIBOR, the company has launched a one-for-six rights issue at 263 p/s, raising £108m.

It thus follows in the footsteps of MEPC a year ago, and of Hammons last autumn, in expanding its equity base.

The fact that Land Securities has been able to do this without any kind of profit or dividend forecast, and at an immediate dividend cost which is only half the market average, is enough to make the average hard-pressed finance director cry into his cash flow budgets.

Such an ostentatious—even provocative—move is likely to cause envious eyes to be cast on the current prosperity of the property sector—the group's properties are estimated to have jumped in value by 25 per cent last year.

Many property men remember Land Securities' political miscalculation in 1978, when a dramatic mid-year revaluation was an important factor behind the introduction of new taxes on the property sector.

However, this is no time for anti-property measures. What the rights issue implies is a distinct nervousness about the future so that Land Securities is unwilling to borrow to finance refurbishment projects even though existing net debt appears to amount to only some 16 per cent of capital employed.

Shareholders dreaming of geared-up capital growth will have to think again, now that gearing has almost disappeared, and Land Securities cannot be confident of obtaining capital

appreciation at much greater than the inflation rate if it is unwilling to finance marginal projects by using debt at an interest rate roughly in line with inflation, or cheaper. Down 18p to 310p on the news, the shares sell at a discount of roughly 35 per cent on assets after the rights issue.

## BP

Anyone curious to know how BP went on in the first quarter of 1980 may still be baffled after reading the group's published figures. BP gives a historic cost net earnings figure—up from £270m to £505m—which it believes to be misleading, and a "more realistic" current cost profit of £161m, against £120m.

But there is nothing to show how one is derived from the other, or even what the cost of sales adjustment might have been. Neither figure is strictly comparable with results published by any other international oil company.

At least BP provides current cost figures for its share of Sohio's earnings. Without these, there is an increase of only £2m, to £24m, in real net earnings, even after a higher contribution from the North Sea.

Although the premium of spot market crude over official oil prices was relatively modest in the first quarter, BP was unable to recover the cost of its marginal supplies—which are not so marginal any more—even though its stocks must be high after the mild winter—in the downstream markets. Losses in Europe seem to have been quite serious; over the last two months, higher pump prices in the UK have limited the damage, but demand for chemicals and plastics appears to have collapsed. BP's upstream businesses will remain a joy to the tax

authorities on both sides of the Atlantic, but the insolvency of its supplies and its poor return on refining are major problems.

## Electronic Rentals

With a net debt of £50m, or nearly 15 times shareholders' funds, Electronic Rentals has been hard-hit by the high level of interest rates. Pre-tax profits have fallen by 17 per cent to £12.2m in the year to March, with exceptional items in the last two years more or less balancing out. The acquisition of BRW has helped push up trading profits by 224 per cent, but margins have been squeezed and the 9 per cent increase in rental charges introduced in April has come none too soon.

High capital expenditure has been a key factor in keeping up the level of debt last year, and a drop of 50 per cent or so in the current 12 months should allow a start to be made on bringing down borrowings. But the company remains vulnerable to interest rates and the exceptions built into its internal budgets for an average MLR of 13 per cent in the year to March 1981 may prove optimistic. The share price, down 4p yesterday at 80p, also clearly reflects the expectation of a rapid fall in interest rates, producing an historic p/e of 16.2 after a 10p charge. The dividend, which is barely covered, after the promised rise of nearly a quarter, provides a yield of 7 per cent.

## Guthrie

Guthrie has predictably reached its March forecast with something to spare, and pre-tax profits are up by almost 22 per cent to £27.5m. The fore-shadowed dividend of 30p per share yields 6.2 per cent at 712p, which is reasonably in line with the income available from Harris & Grosfield, but the fully taxed p/e of almost 15 still takes account of Smith's currently somewhat intangible prospects.

Guthrie is optimistic for the current year, despite the commodity price shake-out. The rubber crop is expected to rise by perhaps 5 per cent and oil palm yields could increase by a tenth. The crop, moreover, has largely been sold up to four months forward at strong prices. British Carpets has probably lost about £1m pre-tax but the group seems relaxed about the scope of involvement in the UK textiles industry.

With tight holdings drawn up extensively on both sides of the bid battle lines, the shares can be expected to perform erratically until the time question is resolved, one way or another.

## Sharp rise in overseas investment

By David Marsh

UK RESIDENTS sharply increased their purchases of foreign securities in the first quarter of this year following the abolition of exchange controls last October.

The ending of controls has also prompted British banks to step up lending of sterling overseas. But capital outflows in the first quarter were heavily outweighed by inflows as international investors—including foreign central banks—continued to move large amounts of funds into sterling.

This gave the UK a surplus of about £1bn on its overall capital transactions with the rest of the world, in line with the average quarterly figure for net inflows last year.

The surplus was more than enough to finance the deficit on the current account of the balance of payments, allowing the Government to increase the reserves and make further foreign debt repayments.

Central Statistical Office figures published yesterday show that overseas portfolio investment—mainly purchases of foreign currency securities—rose by £461m in the first quarter, up 55 per cent from the last quarter of 1979.

The upsurge in overseas portfolio investment was stimulated by the relaxation of exchange controls last summer, a prelude to their abolition in the autumn. In the July to March period, purchases on foreign markets totalled just over £1bn, compared with £508m in the three previous quarters.

Sterling lending overseas by the banks increased by over £400m during the first quarter, also stimulated by the removal of controls on loans to foreigners. Direct investment overseas by British companies fell back slightly, partly as a result of the squeeze on corporate liquidity. Excluding oil companies, investment fell by more than 50 per cent.

Overseas residents increased their holdings of sterling by £742m, following an increase of £30m last year. The main component of the first quarter increase was a rise of £460m in foreign currency securities held in sterling deposits and that Harvard admitted one of these cases.

We have since been informed that this statement is untrue and we apologise for any embarrassment to Harvard which may have occurred.

In the case referred to, Harvard told the Stock Exchange that stamp duty had been unpaid as a result of an error on the part of its brokers.

## Harvard Securities

Table, Page 7

## Britain's problems 'may delay new EEC entries'

BY DAVID WHITE IN PARIS

PRESIDENT Giscard d'Estaing of France yesterday warned that Britain's differences with its EC partners might delay the entry of new members.

He told farmers' leaders that the problems and uncertainties over the cohesion of the Community of nine had to be resolved before any further countries could join. Without specifically naming Britain, he said recent negotiations had shown that some new members were still not fully integrated into the Community.

A presidential aide said M. Giscard's comments did not affect the position of Greece,

which becomes a member next year and whose entry terms France has already ratified. But he added that France's position on the timing of Spanish and Portuguese entry depended on the progress made on issues affecting Britain's relations with the rest of the Community.

France has backed the entry of Spain and Portugal, on the condition that a satisfactory solution is found in sensitive areas of farm competition. France's reservations on this subject have become more evident in recent months, although President Giscard reassured the Spanish Prime

Minister, Senor Adolfo Suarez, in Paris last November that his position towards Spanish entry had not changed.

France has already made clear it favours a long transitional period for incorporating Spain into the common agricultural policy.

Giles Merritt adds from Brussels: The EEC Commission announced yesterday that a special aid package of 350m European Units of Account (about £240m) has been agreed to help Portugal boost its economic development during the run-up to its membership, expected for 1983.

## Schloemann Siemag China deal

BY ROGER BOYES IN BONN

A MULTINATIONAL consortium led by Schloemann Siemag, the West German steel engineering concern, has won a DM 1.3bn (£731m) contract from China for the supply and construction of a large steel cold rolling mill. The contract, signed in Shanghai yesterday, is believed to be one of the largest with China ever clinched by a European group.

The company said yesterday that the mill would be able to produce 2.1m tonnes of steel plate annually after coming on stream in 1985. The mill will be an integral part of the Pao-shan iron and steel works being built by Nippon Steel outside

Shanghai. Nippon Steel is also part of the 17-member consortium and this should ease integration of the rolling mill into the Pao-shan plant. The consortium is largely made up of West German companies—including Siemens and AEG, which will supply the necessary electronics, M.A.N., which will supply part of the plant and Hochtief which will deal with the construction work.

Wean United of Pittsburgh in the U.S. and the Austrian industrial plant specialist Rotherm Industrieanlagen are also part of the consortium.

Last December another West German company, Mannesmann-

Demag, concluded a DM 440m (£118m at the time) order to build a 500,000-tonne-a-year pipe mill, also at the Pao-shan complex.

The contract has come as a relief to the Schloemann Siemag and other German companies trading with China because of fears that Peking was about to scale down its demand for large turn-key projects in general and steel works in particular.

After entertaining high hopes for China trade during the 1970s, West German business has increasingly felt the pinch from Chinese retrenchment and Japanese competition.

## Steel documents to be published

BY ALAN PIKE

THE Commons Welsh Affairs Committee is to use Parliamentary privilege to publish part of a sub-judice document dealing with the effect of steel closures on the Welsh economy.

At a meeting yesterday the chairman, Mr. Leo Abse, Labour MP for Pontypool, told senior British Steel Corporation representatives that a secret document had come into the committee's possession.

It was, said Mr. Abse, one of certain documents which were sub-judice.

But the committee had decided that it should publish a

memorandum to the BSC board from Mr. Bob Scholey, chief executive, dated January 17.

This said that the scale and rapidity of the necessary manpower reductions in South Wales were of a magnitude never encountered before in a relatively small geographical area.

The document referred to a "strong and growing reaction" following closures at other Welsh plants like Ebbw Vale.

Mr. Abse said that the committee had also decided to publish an appendix to the

document dealing with the implications of the South Wales steel closures on the coal industry.

BSC executives, including Sir Charles Villiers, chairman, Mr. Ian MacGregor, who becomes chairman next month, and Mr. Scholey appeared before MPs at yesterday's hearing.

Mr. MacGregor, repeating previous hints about the possibility of further redundancies, said the corporation had to consider carefully whether business assumptions made last autumn were still valid.

Granada hearing, Page 7

## Kraft and Dart agree on merger

BY IAN HARGREAVES IN NEW YORK

KRAFT, THE Chicago food company, and Dart Industries, which makes Tupperware containers, yesterday announced agreement on terms for a friendly merger to create a company with sales of over \$900m this year.

The move, if accepted by shareholders, would make Dart and Kraft, as the company would be called, one of the top 25 industrial companies in the U.S.

The formula for the merger is intended to re-assure shareholders from both camps that they are getting an equitable

deal. Each Kraft and each Dart common share will be exchangeable for one share in Dart and Kraft.

Mr. John Richman, chairman of Kraft, will be chairman and chief executive of the company and Mr. Justin Dart, chairman of Dart, will be chairman of the new company's executive committee, giving him an important voice in policy decisions.

The company's headquarters will be in Kraft's home state of Illinois rather than California, where Dart is based.

Both chairmen said yesterday that they saw the merger as a

means of diversifying which would increase opportunities for both companies.

Kraft is much the larger partner in the deal in terms of sales. Last year its worldwide sales, 28 per cent of which came from outside the U.S., totalled \$648m, on which it earned \$158m.

Dart had sales of \$240m, but its profits almost matched those of Kraft at \$171m. Apart from Tupperware, Dart owns the U.S. company P. R. Mallory, which makes Duracell batteries, and various other household plastics and glass interests.

## Spending cuts delay road schemes

BY LISA WOOD

MORE than 100 road schemes, many of which had been given starting dates, have been put on ice by the Government because of public expenditure cuts. Many will not be started for 10 years or more.

The Government's White Paper on its road programme, published yesterday, says that spending on trunk road construction and improvement is to be limited to about £300m a year (1978 prices) over the next four years.

This is roughly in line with the level of expenditure of the last years of the Labour Government after its major cuts three years ago.

Priority in the latest White Paper has been given to major industrial routes, such as the £25 orbital motorway around London and the orbital routes around Manchester and south of Birmingham.

Improvements to routes to the ports, including the A13 to Tilbury and routes to Hull and Immingham, should all be completed by the mid-1980s.

The White Paper picks out two other key areas of work. Expenditure on motorway and trunk road maintenance is planned to average more than \$90m a year (1978 prices), significantly higher than in

previous years. Several by-pass schemes are also to be brought forward.

The total programme contains nearly 400 schemes, at an estimated cost of nearly £2.5bn (1978 prices).

Schemes such as the M40 from Oxford to Birmingham and the expansion of the North Circular Road to the London docks have been scheduled to start after the end of 1983.

Mr. Norman Fowler, Minister for Transport, said: "We are preparing these as fast as possible. They should not be held up for lack of resources."

The British Road Federation said successive spending cuts had gone too far in paring away the cash available for roads.

The Automobile Association and the Federation of Civil Engineering Contractors also criticised the White Paper. The latter said it was disappointed by the Government's statement that the motorway network is now almost complete.

"We can all see the over-worked parts of the motorway system which are crumbling, energy wasteful and inefficient in serving industry."

## Weather

## UK TODAY

CLOUDY, with sunny intervals in England and Wales, and some showers. Temperatures near normal.

E. and N.E. England, E. Anglia, Borders, Edinburgh, Dundee and the Orkney and Shetland Firth, N.E. Scotland, Orkney and Shetland.

Sunny intervals and thundery showers. Max. 22C (72F).

Elsewhere: Scattered showers, sunny intervals. Max 21C (70F).

Outlook: Some showers, thundery at times. Temperatures near normal.

## WORLDWIDE

|              | Y'day  | Today | Y'day     | Today |       |
|--------------|--------|-------|-----------|-------|-------|
|              | midday | °C/°F | midday    | °C/°F |       |
| Algeria      | S 25   | 25/77 | London    | S 25  | 77/82 |
| Alexandria   | S 25   | 25/77 | Madrid    | S 25  | 77/82 |
| Athens       | S 25   | 25/77 | Moscow    | S 25  | 77/82 |
| Bahrain      | S 25   | 25/77 | Nairobi   | S 25  | 77/82 |
| Bombay       | S 25   | 25/77 | Paris     | S 25  | 77/82 |
| Buenos Aires | S 25   | 25/77 | Rome      | S 25  | 77/82 |
| Calcutta     | S 25   | 25/77 | Singapore | S 25  | 77/82 |
| Cairo        | S 25   | 25/77 | Tokyo     | S 25  | 77/82 |
| Cardiff      | S 25   | 25/77 | Yokohama  | S 25  | 77/82 |
| Casablanca   | S 25   | 25/77 |           |       |       |
| Chennai      | S 25   | 25/77 |           |       |       |
| Colombo      | S 25   | 25/77 |           |       |       |
| Copenhagen   | S 25   | 25/77 |           |       |       |
| Dakar        | S 25   | 25/77 |           |       |       |
| Dhaka        | S 25   | 25/77 |           |       |       |
| Dublin       | S 25   | 25/77 |           |       |       |
| Frankfurt    | S 25   | 25/77 |           |       |       |
| Glasgow      | S 25   | 25/77 |           |       |       |
| Hong Kong    | S 25   | 25/77 |           |       |       |
| Immingham    | S 25   | 25/77 |           |       |       |
| Jersey       | S 25   | 25/77 |           |       |       |
| Joazeiro     | S 25   | 25/77 |           |       |       |
| London       | S 25   | 25/77 |           |       |       |
| Lyons        | S 25   | 25/77 |           |       |       |
| Manila       | S 25   | 25/77 |           |       |       |
| Moscow       | S 25   | 25/77 |           |       |       |
| Mumbai       | S 25   | 25/77 |           |       |       |
| Nairobi      | S 25   | 25/77 |           |       |       |
| Paris        | S 25   | 25/77 |           |       |       |
| Rangoon      | S 25   | 25/77 |           |       |       |
| Reykjavik    | S 25   | 25/77 |           |       |       |
| Rome         | S 25   | 25/77 |           |       |       |
| Singapore    | S 25   | 25/77 |           |       |       |
| Tokyo        | S 25   | 25/77 |           |       |       |
| Yokohama     | S 25   | 25/77 |           |       |       |

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